

FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND SEPTEMBER 3/SEPTEMBER 4 1994

Balladur pledge on Renault as profits rise 125%

Half-year profits at French car group Renault forged ahead by 125 per cent to FF1.7bn (£200m), due largely to financial gains. Prime minister Edouard Balladur confirmed that the state would keep a majority stake in the vehicle group after any privatisation, and hinted he would like to see back under French control the 20 per cent of Renault owned by Sweden's Volvo. Page 23 and Lex

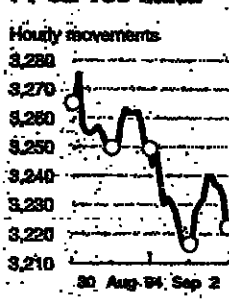
More rail strikes planned: The RMT signal workers' union called two more strikes. A 48-hour stoppage will run on September 14-15 and a 24-hour strike on September 23. They will follow a 24-hour strike already called for next Thursday. Page 5

Roshe: Swiss health products group, made a first-half net income of SF1.6bn (£70m) - the first time it has reported interim figures. Roshe recently paid \$5.3bn for US drugs company Syntex. Page 9

Schroeders: The UK-based merchant bank disclosed interim pre-tax profits up 7.8 per cent at £108.2m and said it wanted to remain independent of UK securities brokers. Page 8, Lex, Page 22

House price market 'fragile': UK house prices fell by 0.7 per cent in August, according to Halifax Building Society. The country's biggest mortgage lender warned that speculation about possible interest rate rises could damage an already fragile housing market. Page 5; Bottom line, Weekend Page 11

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NEWS: INTERNATIONAL

Wall Street's whizkids seek solace in poetry

Bronwen Maddox on why the high rollers of the 1980s are going back to college for 'creative' studies

From Wall Street to Walt Whitman: the high rollers of the 1980s financial boom are now beating a path back to college to sign up for courses in poetry and literature. Columbia University in New York City, opening its doors for the start of the autumn term, has found that many of its new intake of postgraduates are fleeing the worlds of commerce, law and finance.

According to Mr Grafton Nunes, associate dean of Columbia's School of Arts, which runs courses on creative writing, visual arts and film, many of those stepping aside from lucrative careers have concluded that "my soul is dying - I'm good at this but I am not fulfilled". Then, he says, "they ask themselves: 'dare I dream to do something different?'"

Columbia, like many of the most prestigious US universities, has seen interest in postgraduate courses such as arts, politics and history rise steadily since the second half of the 1980s. Applications to its Graduate School of Arts and Sciences, which encompasses art history, his-

tory, literature and political science, were only 3,400 in 1985, the year before the Wall Street crash, but reached 4,300 in 1990, and 6,200 in 1994.

This year, Columbia has received 10 applications for every postgraduate place in painting and sculpture, even though it had not formally advertised the course. For the first time in years it has filled the 15 places for poetry writing.

Some of the demand comes from undergraduates, many of whom are prolonging academic life through postgraduate study rather than enter the fierce competition for jobs outside. But recession has also given those in established careers ranging from stockbroking to psychiatry a new reason to go back to school, faculty members say.

Ms Suzanne Fox, administrator of the creative writing course, and a former Wall Street high flyer, says that "the glory days of the mid-1980s have gone. People now feel that there is no practical use to climbing the corporate ladder".

Faculty members talk of a "glut of lawyers" on the job market.

Lowered expectations of salaries and promotion mean that people are more prepared to make the financial sacrifice of returning to academia, Ms Fox says, although the decision is hardly made lightly, as completing a postgraduate course can cost some \$35,000.

Part of the rise in applications, admissions officers suggest, is that the current generation of parents, who themselves were at college in the 1960s, are willing to help pay for arts courses, where parents a decade ago would have steered their offspring towards law or medicine. "Being a doctor does not have same aura it used to have," says Mr Nunes.

But what happens when these graduates leave? According to Ms Fox, many should consider returning to their previous professions. "Wise people are now looking for vocational change," she says. "They understand there are no day jobs for painters or literary writers."

A few may succeed in staying in academia: Mr David Damrosch, Columbia's director of graduate studies of English literature, suggests that graduates have their eyes on an improvement in the academic job market in the late 1990s, when a wave of retirements is expected.

For writers and theatre producers, however, the booming studios of Hollywood offer the chance to cash in their new learning for considerable material rewards. According to Mr Nunes, himself a former film producer, "Television has become such an important part of our communication that there has been an explosion of those jobs."

Technology is now capable of delivering hundreds of television channels to each house, and the US media industry, currently convulsed in multi-billion dollar takeover bids, is scrambling for more programmes to show. Would-be poets may find that lessons learned on Wall Street have not, then, been entirely wasted.

Russia plans big shake-up of tax system

By John Lloyd in Moscow

Russia yesterday announced a new tax structure to try to beat massive tax evasion, and maintain government revenue in the face of falling production.

Mr Sergei Alekashenko, deputy finance minister, said tax revenues to July had been half the forecast amount, and were expected to reach less than 45 per cent of forecasts for the year as a whole.

At the same time, a report on Russia's short-term financial outlook, by Mr Sergei Dubinin, the acting finance minister, showed that government expenditure was slashed in the first half of the year.

Spending on enforcement agencies was cut by 8 per cent, defence spending by 25 per cent, capital investment by 35 per cent and support for the northern (Arctic) territories cut by nearly half.

Mr Alekashenko said tax evasion, numerous *ad hoc* tax privileges and falling industrial production had all contributed to the tax shortfall.

Gross national product had

stabilised, because of the sharp rise in the output of the services sector - which has seen services output outstrip industrial production.

But industrial production was running at 76 per cent of last year's levels for the first six months of the year, he said, and the bulk of tax revenue has traditionally come from industry.

In an effort to raise tax income, the government intends to raise those taxes which are more effectively governed, and ease the tax burden on industry.

The finance ministry proposes to cut profit tax from 38 to 24 per cent and VAT on staple items from 20 to 10 per cent.

It also plans to raise the top rate of income tax on "super incomes" from 30 to 40 per cent, introduce a new federal income tax of 5 per cent and raise the property tax paid by businesses from 2 to 3 per cent.

These measures will be put to the parliament in the next two weeks.

However, almost a third of



Russian prime minister Viktor Chernomyrdin, left, with China's president Jiang Zemin who arrived in Moscow yesterday for a four-day summit expected to strengthen ties with Russia.

the shortfall was due to the much more rapid fall in inflation than the government had forecast at the beginning of the year, said Mr Alekashenko.

Nonetheless, the government plans to continue its squeeze on inflation next year, said Mr Dubinin's report. It aims to cut inflation to 5 per cent a month by the middle of 1995 and to 2.5 - 3 per cent a month by the year end - even at the cost of a forecast 7 per cent fall in next year's GNP. The report pre-

dicts that the fall in output should stabilise by the end of 1995, however, and that a "significant rise in private domestic and foreign investment in the Russian economy should take place".

The government also announced yesterday that new bank regulations had been put in place this week by Mr Victor Geraschenko, the central bank chairman, which would allow the bank to assign an administrator to commercial

banks, or other financial institutions, deemed to be trading illegally or in a "hopeless" financial situation.

The new measures follow widespread anxiety over the lack of effective regulation of financial institutions following the collapse of the MMM financial empire - built up through the promotion of high yielding "shares" apparently backed only by continued new purchases.

Pace of US job creation slows

By George Graham in Washington

Job creation slowed sharply in the US last month, but the unemployment rate stayed unchanged at 6.1 per cent with an estimated 8.02m people out of work.

The Labor Department said nonfarm payroll employment grew by only 179,000 in August to a seasonally adjusted total of 113.76m, the slowest pace of job growth so far this year.

Ms Katharine Abraham, commissioner of the Bureau of Labor Statistics, said most of the growth in employment came in the service sector, especially in the business services and health industries.

The average working week in the manufacturing sector lengthened in August to 42 hours, and average overtime rose to a record high of 4.8 hours.

Ms Laura D'Andrea Tyson, the White House's chief economic adviser, said job creation was still healthy, and the August rate was consistent with the gradual moderation in economic growth the administration has forecast. She noted an increase of 32,000 in the number of manufacturing jobs, a sector where employment growth has been sluggish.

Some Wall Street economists, however, said the sharp increase in manufacturing employment at a time when industries were operating at close to full capacity, could signal more inflationary pressure and prompt the Federal Reserve Board to raise short term interest rates once again.

This idea helped pull bond prices back down after they had risen sharply immediately after the announcement of slower overall job creation, and the dollar, too, fell.

Ms Tyson dismissed the suggestion, noting that unit labour costs had risen over the last 12 months at their slowest rate for 20 years.

Other Wall Street economists

agreed. "Wage pressures remain completely absent. Wages are up just 2.5 per cent from a year ago and have risen at a scant 1.5 per cent rate during the past three months," said an economist with Merrill Lynch, the New York stockbroking giant.

Ms Tyson said most economic forecasts, including the administration's, foresaw continued expansion coupled with modest inflation.

Wall Street analysts, however, believe members of the Fed's policy-making Open Markets Committee pay considerable attention to high rates of industrial capacity utilisation and to the concept of a "natural rate of unemployment" in the region of 6.0 to 6.5 per cent, below which labour becomes more scarce and wage inflation begins to rise.

Reynaldo Bignone eventually told the two to create a joint venture, which it awarded the contract just 10 days before the civilian administration of Mr Raul Alfonsin took over in 1983.

Since then, the two companies have struggled through hyperinflation, a second change of government with Mr Menem's election in 1988, and his surprise conversion to free market economics. They have also coped with three different currencies and three radical shifts in economic policy over the last 11 years.

Mr Menem now believes he has found a market solution to Yacretia: he wants to privatise the dam, turning over its operation to a private company once the 20th turbine is installed and spinning.

Bidding for the construction contract itself began in 1980 and competition was fierce. Dumez of France and Italy's Impregilo were the front runners in the bidding. The then military government of Gen

Parliament must resolve crisis, says premier

Bulgaria's government offers its resignation

By Anthony Robinson

Bulgaria's non-party "government of technocrats", which has ruled since the end of 1993, said yesterday it had decided to resign.

Mr Lyuben Berov, the prime minister, who has been in parliament for months by a heart attack, said on television that parliament was so hamstrung by contradictory opinions that he believed new elections were the only solution.

"In these circumstances, the government doesn't want to take the responsibility for postponing early elections," he said. "Simple political ethics require the government to retire ... and to make way for the parliament to resolve ... the political crisis in the country."

President Zhelyu Zhelev said in a statement that the parliament now must decide whether to call early elections. A government spokesman said the government would be submitting its resignation to parliament on Monday or Tuesday.

Parliament may be divided over the wisdom of dissolving parliament and calling early elections. The alternative would be to reshuffle the existing government possibly under a new prime minister, although the 63-year-old Mr

Berov is recovering.

The government, which is sustained by the votes of the powerful Bulgarian Socialist Party (BSP) and the Movement for Rights and Freedom, a largely ethnic Turk party, narrowly won a no-confidence vote in May. There was widespread reluctance to create a political vacuum when Bulgaria was in the midst of complex foreign debt negotiations. But agreement was reached with London Club commercial bank creditors on a June 30 deal provided for a 47 per cent reduction in Bulgaria's hard currency debt of more than \$38m. The agreement triggered a raft of IMF, World Bank and other loans required to finance the agreement and boost reserves.

Recent opinion polls indicate that the BSP, heir to the defunct communist party, would emerge from elections as the largest single party, reflecting a pattern already seen in Poland and Hungary, which returned socialist parties to power earlier this year. But the BSP is internally divided into old-style former communists and western-style social democratic factions and is unenthusiastic about running for elections before resolving its internal conflicts.

It is a similar story in the United Democratic Front (UDF), a loose umbrella grouping of over a dozen "democratic" parties formed after the collapse of Soviet domination.

The UDF won the 1991 elections after the socialist party which took over power from the deposed communist dictator Mr Todor Zhivkov, was attacked for its close links with the old regime. But the UDF government led by Mr Philip Dimitrov split and lost power a year later. This created a vacuum which President Zhelev

Zhelev, one of the founders of the UDF, filled by appointing the Berov-led government of technocrats which the votes of the BSP helped keep in power.

The economy, which was badly hit by the collapse of Comecon markets and the UN trade embargo against neighbouring Serbia, is recovering slowly. Over 46 per cent of Bulgaria's foreign trade is now with western countries, compared with only 9 per cent four years ago.

Inflation, which reached 64 per cent in 1993 is expected to fall to 30-35 per cent this year and foreign investment, including a new car assembly venture by Rover, the UK-based BMW subsidiary at Varna, is starting to pick up.

Costly dam to be opened

By John Barham in Buenos Aires

President Carlos Menem will today inaugurate what he once called Argentina's "monument to corruption", the 3,200 MW Yacretia hydroelectric dam on the Parana River.

The dam, among the largest in the world, has cost at least six times over budget and is still not finished, 11 years after construction began.

Mr Menem will only be unveiling the first of Yacretia's 20 turbines, which will eventually generate one-third of Argentina's electricity. The final bill for Yacretia is not yet set. Estimates vary between \$8m and \$12m.

The Yacretia project began in 1958 when Argentina and Paraguay, which share the Parana river, signed a co-operation

treaty to build the dam. However, squabbling between the two countries, Argentina's repeated financial crises and 17 changes of government over the last 36 years constantly delayed the project.

Yacretia's fame as a "monument to corruption" - a phrase Mr Menem coined in 1990 - was born soon after the first feasibility studies began, with contracts reputedly being awarded to groups with the strongest lobbying capability in Buenos Aires and the Paraguayan capital, Asuncion. The two governments own equal shares in the project.

Bidding for the construction contract itself began in 1980 and competition was fierce. Dumez of France and Italy's Impregilo were the front runners in the bidding. The then military government of Gen

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INTERNATIONAL NEWS DIGEST

France restores key Nato link

For the first time in 28 years, France is to attend a meeting of Nato defence ministers, reflecting further rapprochement of Paris towards military activities of the Atlantic alliance. But officials stressed yesterday that Mr Francois Leterrier, France's defence minister, would go to the September 29-30 meeting in Spain because it was an informal gathering, in contrast to the twice-yearly formal sessions of Nato defence ministers.

Since 1966 when it quit Nato's integrated military command, France has been represented only at activities of Nato's political wing. At the Nato summit in January, France said it would in future send its defence minister to meetings that have an agenda of special interest to Paris, such as peacekeeping operations in Bosnia. "The Sevillian agenda suits us," a French official said. It includes Bosnia, the situation in the Mediterranean including Algeria and general reform of the alliance.

Nomination of a successor to the late Manfred Wörner as Nato secretary general may also be discussed at Seville. French officials say "by definition" Paris is not fielding a candidate but has told the UK it could support a British contender for the job. Mr Malcolm Rifkind, UK defence secretary, has indicated he wants to stay in national politics, but Mr Douglas Hurd, foreign secretary, has apparently not foreclosed the option. David Suchan, Paris

Chechen rebels head for capital

Opposition forces in the Russian North Caucasian republic of Chechnya are moving closer to the capital, Grozny - and are calling for the overthrow of the republic's president, General Dzhokhar Dudayev. According to spokesmen for the forces now opposing General Dudayev, four regions are under their control and highways to Grozny have been cut a few kilometres from the city. The Chechen provisional council, the main opposition group, said that presidential forces were repulsed on Thursday as they attempted to regain control of one region, Urus-Martan.

Mr Ruslan Khasbulatov, former speaker of the Russian parliament, has emerged as a main focus of the opposition - an uneasy alliance with former Russian Lt Gen Alexander Lebed and Mr Umar Avturkhanov, two warlords who control different areas of the republic. Russia has threatened intervention but seems likely to stay on the sidelines. Mr Alexander Shokhin, a Russian deputy prime minister, said yesterday: "We must use political means in Chechnya." John Lloyd, Moscow

Bavarians roar into elections

The Christian Social Union, Bavarian sister party of Germany's Christian Democratic Union, yesterday launched its election campaign, promising to make its voice heard in a future CDU/CSU federal government. "The Bavarian lion must go on roaring," Mr Theo Waigel, the finance minister, told about 1,000 CSU delegates in Munich. Chancellor Helmut Kohl, speaking at the rally, accused the opposition Social Democratic party of being willing to accept support from the Party of Democratic Socialism, successor to the East German Communist party. Bavarians go to the polls on September 25 to elect a new state parliament and again on October 16 for Germany's general election. The CSU has been rocked by scandals which elicited predictions that the party would lose its majority in state parliament. However, Mr Waigel and Mr Edmund Stoiber, the Bavarian state premier, appear to have overcome the problems. Michael Lindemann, Bonn

US discloses air safety bans

The US has barred aircraft from nine countries in Africa and Latin America from landing at US airports because it found their governments' supervision of air safety inadequate. Mr Federico Peña, transportation secretary, said aircraft from Belize, the Dominican Republic, Gambia, Ghana, Honduras, Nicaragua, Paraguay, Uruguay and Zaire were banned, while aircraft from Bolivia, El Salvador, Guatemala and the Dutch Antilles had only conditional approval. Some banned countries have dropped US air links, while others have leased aircraft from other countries. The ban has been in place for some time but Mr Peña released the list only yesterday, after pressure from consumer groups to make the information available to travellers. Some countries, including Russia and Nigeria, have yet to be assessed. George Graham, Washington

Swiss lift investment in China

Ciba-Geigy, the Swiss-based chemical and pharmaceutical company, plans to lift investment in China to \$250m (\$162m) with establishment of new joint ventures. Dr Alex Kratzer, chairman of Ciba, said in Beijing some 12 ventures among 30 under discussion had been inaugurated or were in an advanced planning stage. The Swiss company expects initially to make its heaviest investment in the production of industrial products such as dyes and additives, with \$150m earmarked for this purpose. It plans to spend some \$60m in the agriculture sphere in production of such items as pesticides, and \$30m on health products. Ciba's drive into China matches that of its main competitors, including Zeneca of the UK and Du Pont of the US. Tony Walker, Beijing

Thais detain religious leader

The Thai government yesterday detained the leader of the messianic Al-Arqam Islamic movement, indicating that he would be expelled to Malaysia, which has sought to have the sect banned throughout South-East Asia. Police stopped Mr Asaari Muhammad and his followers as they travelled to Chiang Mai, where the religious leader has been in self-imposed exile for six years, according to Mr Jallat Jassam, Mr Asaari's press secretary. Mr Asaari was told he was now an illegal visitor because he was one of 10 sect members who had their passports cancelled by the Malaysian authorities. A Thai foreign ministry official said: "We have had requests from the Malaysian government which we are not going to ignore. We want them to leave. We gain nothing by allowing him to stay in the face of the requests." The Al-Arqam movement is not banned in Thailand, a mainly Buddhist country. William Barnes, Bangkok

Ex-prisoner loses HK poll plea

Mr Lau Sen-Ching, a Hong Kong resident who has spent much of the past 10 years as a political prisoner in China, yesterday failed in his attempt to challenge Hong Kong's residency requirements for the forthcoming elections. A High Court judge ruled against lifting his disqualification from standing in this month's district board elections because he had not been "ordinarily resident" in the colony for the last 10 years. Justice Mayo said Mr Lau's appeal for judicial review of his case was inappropriate and he should submit an "election petition" under Hong Kong's election law. This could only not be heard until after the election, meaning that Mr Lau would not be able to stand until after 1997, when Chinese sovereignty over Hong Kong might mean he is still ineligible for office. Mr Lau said he was very disappointed with the judgment, and he could not afford an election petition as it did not qualify for legal aid. Simon Holberton, Hong Kong

Brazilian party steps up fight

Brazil's Workers' Party (PT), whose candidate Mr Luis Inacio Lula da Silva is trailing in polls for next month's presidential elections, yesterday accused the government and media of giving unfair backing to his main rival, Mr Fernando Henrique Cardoso. The PT alleged that the government and state-owned companies were approving spending projects in areas likely to benefit Mr Cardoso. It also said Brazil's latest economic plan and the new Real currency were being used for electoral ends. Mr Cardoso, former finance minister, left the government to contest the elections. "We believe these actions are electoral crime and a crime against democracy in a plan to elect the candidate of the right at any cost," the PT said. Mr da Silva has 23 per cent support in opinion polls, compared to Mr Cardoso's 45 per cent, and the PT is desperate to find a way to fight back. Angus Foster, São Paulo

INVITATION TO TENDER FOR THE HIGHEST BID FOR THE PURCHASE OF THE TWO GROUPS OF ASSETS OF "E.G.L. PAPER MANUFACTURING OF WESTERN GREECE SA" OF PATRAS, GREECE

Εθνική Κοινωνία Σ.Α. Administration of Assets and Liabilities, of 1 Stoudiou Str., Athens, Greece, in its capacity as Liquidator of "E.G.L. PAPER MANUFACTURING OF WESTERN GREECE S.A." (hereinafter referred to as "EGL"), a company with its registered office in Patras, Greece, is hereby invited to tender for the purchase of the two groups of assets of EGL, as defined in the terms and conditions of sale, which are attached to this invitation to tender.

For the highest bid by submission of sealed tenders for the purchase by a third public auction (the "Auction") of either one or both of the groups of the Company's assets described below.

BRIEF INFORMATION: The company was established in 1988 and remained in operation until 1991. Its products included wrapping and packaging paper, grease treated paper, wadding and printing paper, etc. The company is currently liquidated.

GROUPS OF ASSETS OFFERED FOR SALE:

A. INDUSTRIAL COMPLEX IN PATRAS, consisting of buildings with total area of 32,614 m² and total volume of 235,751 m³ built on land of 43,310 m², five paper-making machines and other mechanical equipment and the plots of land totalling 6,454 m² plus other assets such as furniture, equipment, tools, etc. (hereinafter referred to as "Group A").

B. INDUSTRIAL COMPLEX IN AEGION consisting of buildings totalling 20,103 m² and a total volume of 200,603 m³, built on land of 9,845 m², one paper-making machine and other mechanical equipment and one plot of land of 363 m² plus other assets such as "office furniture, equipment, etc."

DEFERRED MEMORANDUM - FURTHER INFORMATION: Interested parties may obtain a copy of the Offer Memorandum for each of the above groups of assets and any other information upon request and payment of the fee of 10,000 drs (approx. 100,000 drs).

TERMS AND CONDITIONS OF THE AUCTION:

1. Bidders: The present Auction constitutes the third one to take place, according to paragraph 11a of article 112 of the Law No. 2224/1984 (as supplemented by Law No. 1224/1984) and it is subject to the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offer Memorandum. Each bidder must accept the terms and conditions set forth in the Offer Memorandum and the "Terms and Conditions of Sale" and agree to be bound by them.

2. Submission of Bids: Bids: In order to participate in the Auction, interested parties must submit a bid by the deadline for the submission of bids, which is set forth in the Offer Memorandum. The bid must be submitted in a sealed envelope, together with the required deposit, and must be accompanied by a copy of the Offer Memorandum and the "Terms and Conditions of Sale". The bid must be submitted in a sealed envelope, together with the required deposit, and must be accompanied by a copy of the Offer Memorandum and the "Terms and Conditions of Sale".

3. Award of Assets: The assets will be awarded to the bidder who has submitted the highest bid, provided that the bidder has accepted the terms and conditions of the Auction and the "Terms and Conditions of Sale".

4. Submission of Bids: Bids: In order to participate in the Auction, interested parties must submit a bid by the deadline for the submission of bids, which is set forth in the Offer Memorandum. The bid must be submitted in a sealed envelope, together with the required deposit, and must be accompanied by a copy of the Offer Memorandum and the "Terms and Conditions of Sale".

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8. Submission of Bids: Bids: In order to participate in the Auction, interested parties must submit a bid by the deadline for the submission of bids, which is set forth in the Offer Memorandum. The bid must be submitted in a sealed envelope, together with the required deposit, and must be accompanied by a copy of the Offer Memorandum and the "Terms and Conditions of Sale".

9. Award of Assets: The assets will be awarded to the bidder who has submitted the highest bid, provided that the bidder has accepted the terms and conditions of the Auction and the "Terms and Conditions of Sale".

10. Submission of Bids: Bids: In order to participate in the Auction, interested parties must submit a bid by the deadline for the submission of bids, which is set forth in the Offer Memorandum. The bid must be submitted in a sealed envelope, together with the required deposit, and must be accompanied by a copy of the Offer Memorandum and the "Terms and Conditions of Sale".

11. Award of Assets: The assets will be awarded to the bidder who has submitted the highest bid, provided that the bidder has accepted the terms and conditions of the Auction and the "Terms and Conditions of Sale".

12. Submission of Bids: Bids: In order to participate in the Auction, interested parties must submit a bid by the deadline for the submission of bids, which is set forth in the Offer Memorandum. The bid must be submitted in a sealed envelope, together with the required deposit, and must be accompanied by a copy of the Offer Memorandum and the "Terms and Conditions of Sale".

13. Award of Assets: The assets will be awarded to the bidder who has submitted the highest bid, provided that the bidder has accepted the terms and conditions of the Auction and the "Terms and Conditions of Sale".

Bae chief sees more mergers to counter US threat

ET The European aerospace industry was warned yesterday that it will have to reduce its costs by

conferences about 40 per cent over the next few years and close down a significant number of surplus facilities to remain competitive, reports Paul Betts, Aerospace Correspondent.

The warning, ahead of next week's Farnborough Air Show, came from Mr Dick Evans, chairman of British Aerospace, at a Financial Times aerospace conference.

Mr Evans said more consolidation was inevitable in the European aerospace industry especially in the wake of the shake-up taking place in the US defence sector.

In the commercial aircraft market, Mr Evans said, the European industry would eventually be polarised around the European Airbus consortium in the large airliner sector and another consortium in the smaller regional aircraft market.

He also believed there would ultimately be only one significant defence producer in Europe, although consolidation in the sector would hinge on government policies because of their huge procurement power.

"We need a clear definition of strategy from governments if we are to go down the inevitable road towards greater consolidation," he told the conference.

Mr Evans said that in the regional aircraft market the most rational outcome would be a combination of UK, German and French aircraft activities into a grouping similar to the Airbus consortium.

Although BAE has held extensive discussions over recent months with both Aérospatiale of France and Deutsche Aerospace, the German company controlling the Dutch Fokker regional aircraft manufacturer, the talks have so far failed to produce tangible results.

Speculation had also been rife of a possible combination of BAE and the UK General Electric Company (GEC) to create a large UK defence contractor in the wake of the Lockheed-Martin Marietta defence merger in the US. However, it is understood there are no talks at this stage between BAE and GEC over the possibility of the companies forging a strategic link.

The difficulties of forging cross-border defence mergers in Europe have also been highlighted by the slow pace of negotiations between BAE and Matra of France to combine their respective guided weapons activities. The negotiations have been dragging on for two years.

Mr Arthur Zissman, president of Hughes Europe, told the conference that if defence companies wanted to survive, they had to "do something spectacular". He said industry experts were forecasting that up to 80 per cent of the top 100 defence companies could disappear by the turn of the century.

Although air travel was picking up and airlines were beginning to make money again, Mr Richard Turner, Rolls-Royce's marketing director and president of the Society of British Aerospace Companies, said the industry was not viable as currently structured.

Mr Robert Dryden, executive vice-president of Boeing, the world's biggest aircraft manufacturer, said the company had committed itself to reducing its production cycle times by more than half in three years.

"The target is to have a six-month cycle time by the end of 1996 for the Boeing 737 and 747, and eight months for the 767 and 777 and eventually the new 777."

Court ruling exposes Taiwan's financial flaws

Executives at Tatung found guilty of running an illegal deposit scheme

Senior executives at Tatung, a leading listed Taiwanese electronics company, are to appeal against a court ruling which found them guilty of violating domestic banking laws by taking deposits to finance expansion, writes Laura Tyson in Kaohsiung, Taiwan.

The company's chairman, Mr Lin Tingsheng, and its finance manager, Mr Lin Hong-shai, are unhappy with the verdict in a case that reveals both the shortcomings of Taiwan's state-dominated banking system and the country's historically less-than-rigid enforcement and observance of law.

A Taipei district court on Thursday handed down suspended 16-

month prison sentences to the two executives for running an illegal deposit scheme through the company. According to 1989 revisions to the Banking Law, non-bank entities are not permitted to take deposits, undertake trustee business or offer remittance services. The law stipulates a jail sentence of between one and seven years.

The two executives, who were charged last December following a three-year investigation, were convicted of illegally accepting deposits from company employees, shareholders and nearby residents. Tatung col-

lected nearly \$400m (\$258m) since 1987.

Observers said the verdict was intended to "kill the chicken to warn the monkey" - that is, to send a strong signal to Taiwan companies regarding a practice which is widespread and has been largely tolerated by the authorities.

Taiwan's Central Bank of China even includes in its regularly published statistics charts showing prevailing interest rates on loans and deposits in the "unorganised financial markets".

"Tatung was singled out not

because it's the only company which does this, but because it was so brazen," one observer said. "Most companies just take deposits from their employees; this is commonly seen as a type of staff benefit. But Tatung was accepting deposits from the public as well, and everybody knew they were doing this."

Mr Lin and Mr Liu contend that they were forced to seek financing from deposits because the company could not raise enough money from banks to satisfy its plans for expansion. Taiwan banks generally lend only on the basis of full collateral,

partly because individual loan officers may be held personally liable in the event of non-payment.

They also plan to argue in their defence that the scheme offered a return which was fair for both the company and the depositors. While employee deposit schemes often yield 2 per cent per month, Tatung offered an average annual interest rate of 8.5 per cent.

Moreover, all of the 13,000-odd depositors participated in the scheme on a voluntary basis, they said. Interest payments amounted to some NT\$2bn (\$49.4m) a year.

Taiwan's underground financial markets have diminished in scale since their heyday following a crackdown in the late 1980s, but informal financing schemes and various other murky related activities remain.

In the 1980s, dozens of underground finance companies sprang up and attracted deposits by offering interest rates as high as 8 per cent a month. The biggest underground bank, the Hung Yuan group, declared bankruptcy in 1991 after illegally attracting some \$3.6bn from depositors.

Tatung's share price closed at NT\$86.5 yesterday against NT\$88 on Thursday.

Violence tips Algiers toward compromise

Francis Ghilès on the political and economic turmoil which followed cancelled elections

The Algerian government is ready to hold talks with Islamic opposition groups, but only if the violence sweeping the country is halted.

"If we have to talk with the Islamic Salvation Front (FIS), we will. The essential precondition is that the FIS must cease all violence. What is also essential is that the Algerian people take their destiny in their own hands," said Mr Mokdad Sifi, Algerian prime minister, in an interview.

The premier claimed the government was not responsible for the country's political and economic turmoil, or the causes which led to it.

Economic improvements and a more hopeful political future are proving elusive in the climate of insecurity which has characterised Algeria since the FIS was denied victory by the cancellation of the 1992 election results which had seemed certain to sweep the Islamic party to power. Worsening violence is causing ever-greater damage to the nation's infrastructure, the death toll is rising remorselessly, while the benefits of a \$1bn (\$583m) loan agreement signed with the International Monetary Fund in April may only be felt slowly.

The cost of damage to the country's infrastructure over the past two years is estimated at more than \$1.2bn. Schools and universities have been increasingly targeted by the more extreme members of the Islamic Armed Group (GIA); more than 400 schools have been set on fire in the past 12 months.

Two weeks ago the medical faculty in the eastern provincial capital of Constantine was reduced to ashes, and fierce fighting in the city left scores dead. Forest fires this summer, often started by the security forces to flush out Islamic groups, have caused extensive damage, especially to olive groves in eastern Algeria. No area of the country today is safe, violence having spread this summer to the Berber heartland of Kabylia.

The cost in lives, now put at about 11,000, has also been growing. Not only are the fundamentalists pitted against the army-backed government, but confrontation is growing between the GIA, which is active around Algiers, and supporters of the Islamic Salvation Army (AIS) which owes allegiance to the outlawed FIS.

The GIA has sought to sabotage tentative steps towards a dialogue between General Liamine Zeroual, the head of state, and some senior FIS leaders. It has also threatened to "burn or dynamite" all schools and universities which open their doors this autumn, and said "severe sanctions" would be taken against students and teachers who attended classes.

The deadly competition between the FIS and the GIA is leading to violent vendettas, and denunciations by elders of the FIS, such as Mr Abdelhak Sahraoui, who claim the GIA is acting as an accomplice to the military.

The GIA, which has claimed



General Liamine Zeroual (right), head of state, and Mr Mokdad Sifi, Algerian prime minister, at a political meeting in Algiers

responsibility for the deaths of most of the 80 foreigners killed during the past 12 months, has repeatedly refused to contemplate negotiations with an "unpious state".

Gen Zeroual says he wants to start a dialogue but seems unwilling or unable to release the leaders of the FIS held since June 1991.

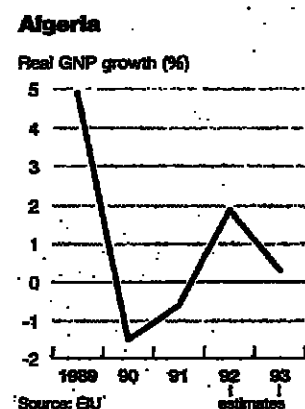
The FIS, which is finding it difficult to control its supporters, says it would like to begin talks but not until its leaders are released. It has condemned the killing of foreigners, the burning of schools and the threats to teachers and students.

Against this background, most of the more promising conditions that Mr Sifi and his government are seeking to create are most likely to stem from the IMF agreement and the subsequent rescheduling of part of Algeria's \$26.7bn foreign debt, thus reducing the cost of servicing this year from \$9.4bn to \$5.06bn. This should allow last year's 1.8 per cent decline in real gross domestic product to be reversed, and provide growth in 1994 of about 2 per cent.

Capital goods investment in industry should rise from \$7.99bn to just above \$8bn and help boost activity in myriad state and private companies which have been starved of imports over the past two years as the debt service ratio has risen to absorb 86.4 per cent of total exports in 1993.

Three factors explain why the quick benefits the IMF agreements were supposed to bring will materialise only slowly. First, the shortage of foreign currency alone is not the root cause of Algeria's economic crisis. In the words of one senior diplomat: "Injecting cash into a semi-paralysed network of state companies will not turn them over into athletes overnight."

Second, in critical areas such as the severe lack of housing it is unrealistic, according to one



senior official, to expect more than 50,000 new units to be built this year, against the estimated requirement of some 1.2m units. Despite the fact that it takes, on average, eight years to complete an apartment block in Algiers, private builders remain hostile to importing pre-fabricated units. The increasing unwillingness of foreign governments and companies to send representatives to Algeria is also slowing decision-making in all fields.

Third, this year's severe drought has cut farming output and will force Algeria to import more than 90 per cent of its cereal requirements, compared with a 70-75 per cent average in better years.

Foreign embassies, meanwhile, are closing down or reducing their staff dramatically. The daring and precision of the GIA's attack on the French diplomatic compound at Ain Allah in early August, which cost the lives of three gendarmes and two consular officials, has sent shivers through the diplomatic community. Sweden, Finland, Denmark, Austria, Holland and Switzerland have now closed their embassies, albeit temporarily.

More than at any time since the suspension of elections it appears that only some form of compromise between the army and the FIS will avert a fully fledged civil war.

Uruguay Round ratified so far by only 26 of 125 signatories

Gatt chief warns on accord delay

By Frances Williams in Geneva

Mr Peter Sutherland, Director-general of the General Agreement on Tariffs and Trade, yesterday launched a strong appeal to the leading trading powers to ratify the Uruguay Round global trade accords without delay.

The accords, including the establishment of a World Trade Organisation, are due to take effect on January 1 next year. Addressing a business audience in Italy, he said the biggest trade-liberalising package in history - worth \$755bn (\$487bn) a year in extra merchandise trade - was "little more than an uncashed cheque" until ratified and

implemented. "Any delay in the entry into force of the WTO and the agreements it encompasses will cost real people everywhere real money," he said.

Only 26 of the 125 countries taking part have so far ratified or otherwise approved the Uruguay Round agreements signed in Marrakesh in April. Most are waiting for ratification by the three biggest traders - the US, the European Union and Japan - whose participation is essential.

While Mr Sutherland expressed concern over procedural delays in the EU and Japan, he is most alarmed at the confused situation in the US. The Clinton administration

is still wrangling with Congress over details of the implementing legislation and there is a strong current of congressional opposition to ratification this year.

The Gatt chief said the window of opportunity, from the time Congress resumes on September 12 to early October when it adjourns ahead of mid-term elections, was a narrow one. "If it is missed, the risks of a long delay are serious."

In addition to intensifying personal contacts with key participants, Mr Sutherland plans a multilateral review on implementation which would enable the September 22 meeting of the WTO preparatory committee to identify recalcitrants.



Sutherland: 'uncashed cheque'

China quits Korea war commission

By John Burton in Seoul

China said yesterday that it would withdraw from the Korean war armistice commission, in an apparent show of support for North Korea.

In April North Korea withdrew from the body that supervises the Korean war truce in an attempt to persuade the US to sign a formal peace treaty ending the 1950-53 conflict, which could eventually lead to the US removing its troops from South Korea.

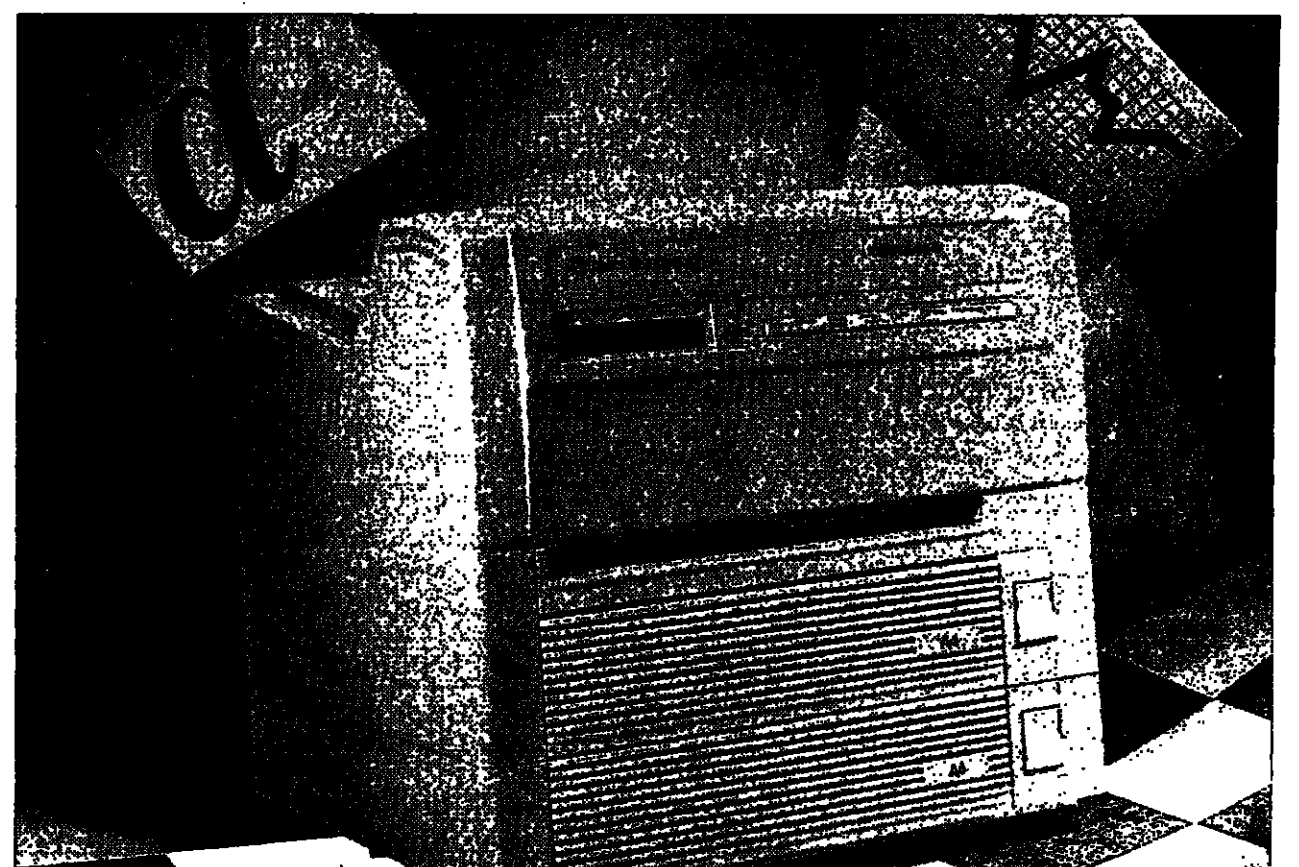
Pyeongyang is likely to press for the peace treaty if diplomatic relations are established with Washington as part of a wider deal to end the international dispute over North Korea's nuclear programme.

The withdrawal of North Korea's closest ally is largely symbolic as the armistice commission has not met since 1991, when North Korea began boycotting the meetings in protest over the appointment of a South Korean officer as head of the United Nations side.

China made its announcement following talks with Mr Song Ho-kyong, the North Korean vice-foreign minister and the first envoy from Pyongyang to visit Beijing since the death of President Kim Il-sung in July. Beijing's action is causing concern in Seoul, already worried about being left out of North Korean-US talks on the nuclear issue and feeling increasingly isolated from accelerated diplomatic negotiations concerning the future of the Korean peninsula.

The Chinese announcement would appear to endorse North Korea's proposal for a peace treaty with the US to replace the armistice, while also excluding South Korea. Pyongyang does not recognise South Korea as a party to a future peace treaty since Seoul refused to sign the 1953 armistice agreement, which was concluded between North Korea, China and US-led UN forces.

Pyeongyang cited these grounds for its boycott of the truce meetings. Meetings to supervise the armistice are now conducted on a lower level between UN and North Korea military officials.



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INSTRUMENTS**

Japanese surplus 'nearing peak'

By William Dawkins in Tokyo

Strong Japanese exports and only moderate growth in domestic demand for foreign goods produced a 0.9 per cent rise in Japan's current account surplus in July.

The gap widened to \$11.74bn (\$7.5bn), a record for the month, from \$11.63bn in July last year, roughly in line with last year's forecasts. Finance Ministry forecasts interpreted the result as further evidence that the politically touchy surplus had grown by 10 per cent since the turn of the year, reflecting

critical deadline - at the end of the month - in trade talks.

Adjusting for the rise of the yen against the dollar over the past year, the current account gap shrank by 7.7 per cent when measured in the Japanese currency. Stripping out sales of services, Japan's trade surplus rose 4.9 per cent to \$14.45bn, but fell 4.2 per cent in yen terms. Exports rose 6.6 per cent in dollar terms and imports were up 8.1 per cent against July 1993.

On average, import volumes had grown by 10 per cent since the turn of the year, reflecting

a gentle pick-up in domestic demand, an official said. Exports had declined in five of the past seven months in yen terms, he added.

The surprise in yesterday's figures was a sudden sharp rise in the outflow of long-term capital, to \$20.55bn in July from \$4.5bn in June. Mr Robert Feldman, chief economist at Salomon Brothers Asia, believes this is partly due to a surge in bonds issued overseas by Japanese companies, so that cash will return to Japanese hands rather than being recycled abroad.

July's long-term capital account deficit also includes a record \$8.99bn outflow of funds from foreign investors, who became net sellers of Japanese shares and bonds for the first time in 13 months. Foreign investors, previously the sole source of support for the languishing equity market, had provided a \$6.66bn capital inflow in June. A ministry official said foreign investors were believed to have taken profits on the yen's rise and might be worried about the impact of the stronger currency on companies' export earnings.

NEWS: UK

Adams set to meet Irish PM

By Tim Coone, David Owen and George Graham

Sinn Féin may be poised to take another big step towards recognition as a fully legitimate democratic party with a meeting between Mr Gerry Adams and Mr Albert Reynolds, the Irish prime minister, within two weeks, Dublin officials indicated last night.

Word of the meeting - which would be the first ever between a Provisional Sinn Féin leader and an Irish premier - came as Mr Adams extended his list of demands by calling in Dublin for the withdrawal of British troops from nationalist areas.

In Washington senior members of the US Congress warned that no extra money was likely to be available this year to help smooth the way to peace in Northern Ireland.

But Mr Dick Spring, the Irish foreign minister, said after a meeting with President Bill Clinton in the holiday resort of Martha's Vineyard that he hoped "substantial" sums would be forthcoming.

As Downing Street continued to voice doubts about the permanence of the IRA ceasefire, republican leaders rejected the possibility of a violent reaction to the killing by loyalist paramilitaries of a Roman Catholic man on Thursday.

Mr Martin McGuinness, a member of Sinn Féin's governing executive, said it was "a total anathema to us that anyone would consider taking any sort of retaliation for the deeds of a few people within the unionist community".

Mr Michael Ancram, Northern Ireland minister, responded to Thursday's loyalist attacks by pledging that the government would "continue to pursue those who commit crimes of this sort".

Mr Reynolds met yesterday with Mr John Alderdice, leader of the non-sectarian Alliance

Politics

party, to discuss the setting up of the Irish government's Forum for Peace and Reconciliation, which is intended to include Sinn Féin for the first time in round-table talks with other political parties.

Dublin hopes to establish the forum - which unionist parties are expected to boycott - before the end of October.

Officials said Mr Reynolds would be anxious to "get things moving" before departing on a visit to Australia in two weeks' time. They said a meeting with Mr Adams was "inevitable" before he leaves.

In the US, Senator Patrick

It is a total anathema to us that anyone would consider taking any sort of retaliation for the deeds of a few people within the unionist community

Martin McGuinness
Sinn Féin executive member

Leahy, chairman of the Senate appropriations committee which controls overseas aid, said money to smooth the peace process was already in the pipeline for next year, in the form of the US's \$20m (£13.3m) contribution to the International Fund for Ireland.

Mr Clinton said the US was "prepared to take some steps to do whatever we can to help".

In London, Downing Street said Mr John Major would study the report he had demanded into the transfer on Thursday of four republican prisoners from the mainland to jails in Northern Ireland over the weekend.

Peace struggle, Page 6

Years of debate fuel compromise

Tim Coone on Sinn Féin negotiation and the development of its 'unarmed strategy'

The IRA's decision this week to call an end to its 25-year military campaign comes after almost four years' intense debate in the republican movement about how its aims might be achieved by an "unarmed strategy".

Sinn Féin, the political wing of the IRA, was given responsibility for developing that strategy in a resolution passed at its 1991 party conference.

As it has developed its strategy it has been overhauling its party structure and organisation. It has reorganised in the Irish Republic on a constituency basis rather than a county one - it was already organised on a constituency basis in the north.

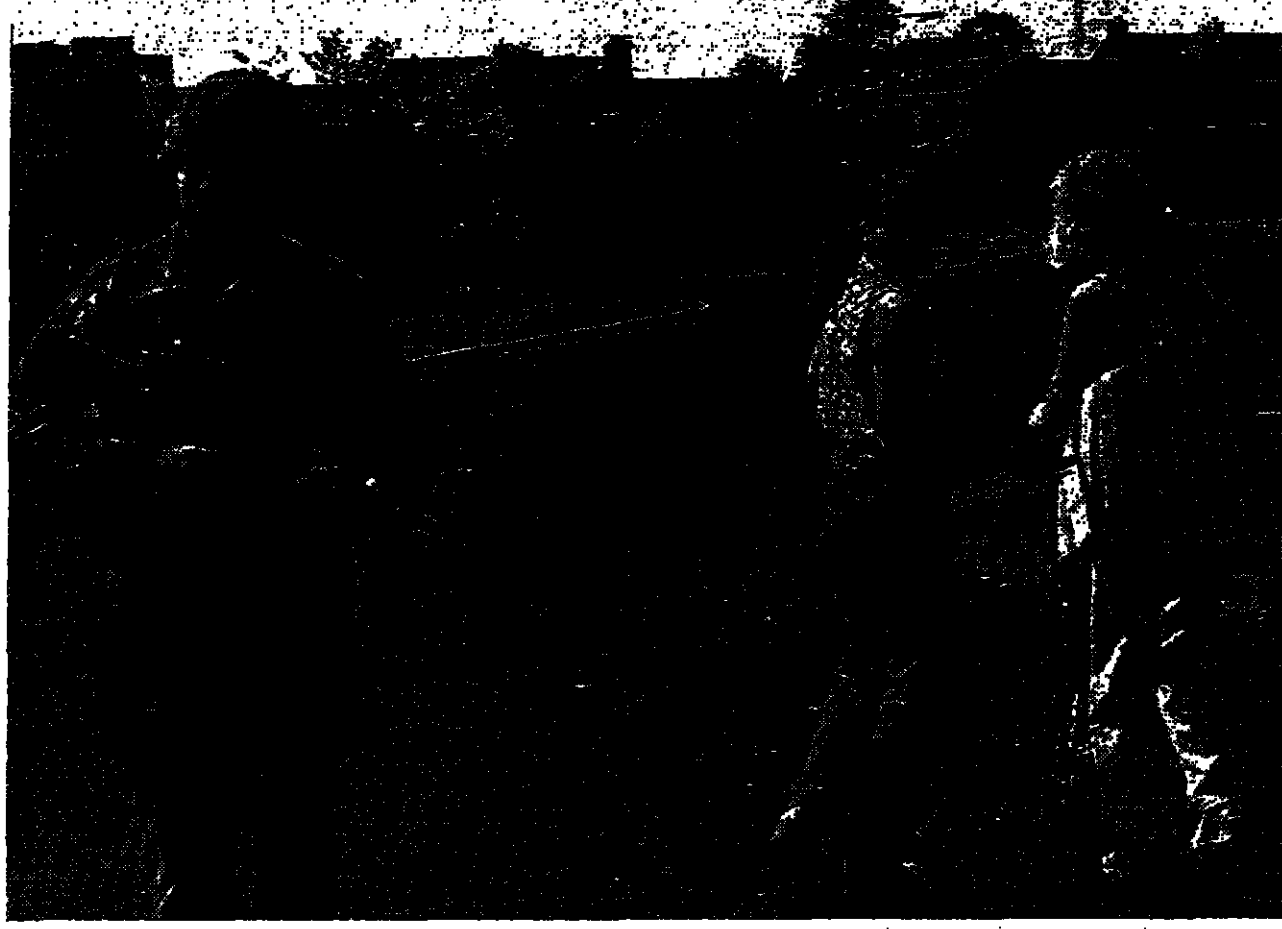
In the north it has performed strongly since losing its one parliamentary seat - Belfast West - in the 1992 general election. In May's local elections it took 33.2 per cent of the vote in Belfast, the biggest share for any party. Across the province its vote rose 1.5 percentage points to 12.5 per cent, taking 51 council seats out of the 622 total.

In the European elections its support in Northern Ireland advanced by 1 percentage point to 10 per cent.

In the June local elections in the republic this year Sinn Féin won a series of council seats in areas it had not contested before, finishing ahead of the conservative Progressive Democrats party.

The discussion document of the party's national executive towards a Lasting Peace in Ireland - unveiled at the 1992 annual conference, said a permanent peace "must involve at some future date the removal of British interference from the political equation in Ireland. There is an onus on those who proclaim that the armed struggle is counter-productive to advance a credible alternative. The development of such an alternative would be welcomed by Sinn Féin".

Two and half years down the road it would appear that alternative has emerged to the satisfaction of the republican leadership, in spite of the fact that the British government has not made the ending of



Tension eases: a British soldier on patrol in the Falls Road, west Belfast yesterday on the second day of the IRA ceasefire

partition a policy goal, as the document argued it must.

That fact is perhaps the most significant and surprising in the IRA ceasefire decision, and indicative of the distance its has gone in reassessing the value of continuing the "armed struggle". Mr Gerry Adams, the Sinn Féin president, emphasised at a press conference in Dublin yesterday that the party's goal remained "an end to British jurisdiction in Ireland and an end to partition". But this should be achieved through negotiation and lead to an agreement "which recognises and encourages the diversity of Irish people and which will earn their allegiance and respect".

Significantly he said: "That

is how we would like to see the situation develop. Others may have different agendas and views. How it is concluded is a matter for agreement."

He emphasised that agreement would not be achieved without Unionist participation in discussions.

In effect, the IRA and Sinn Féin have acknowledged publicly that continuation of the military struggle is not the way forward, and that an all-inclusive negotiation process involving compromise might lead to something less than a united Ireland.

Mr Adams yesterday laid out what he saw as the next steps in the process.

● The UK should lift the Sinn Féin broadcasting ban, as the

Republic of Ireland did eight months ago.

● A monitoring procedure for the ceasefire should be established.

● The demilitarisation process should start immediately.

● Full protection should be provided for republicans who have been targeted by loyalists.

● All republican prisoners in the UK should be transferred to their home regions.

● Raids, searches and arrests in nationalist areas should stop.

● Closed border roads should be opened.

● "Political" prisoners should be released.

● Mr Adams said this included both republicans and loyalist prisoners "and the

small handful of British Army and RUC prisoners" who have been charged with offences.

He said this "might take time".

Dublin plans to set up its Forum for Peace and Reconciliation, which will involve Sinn Féin, by the end of October. A meeting between Mr Albert Reynolds, the Irish prime minister and Mr Adams is likely in the next two weeks.

Mr Tom Hartley, Sinn Féin's general secretary said: "The ceasefire has created a great momentum. I envisage a series of developments resulting from that. This could take as much as one, maybe two years. Each one of those may create a crisis but they will be dealt with and we will move on."

He said: "Railtrack should abandon their macho management stance and get back to genuine negotiations on RMT's claim. That is the only way this dispute is going to be resolved."

Railtrack said that more than 53 per cent of trains ran during this week's 48-hour strike, the highest number so far.

Signal workers call more strikes

Three more days of rail signal workers' strikes were called yesterday as their union leaders reacted angrily to reports of Railtrack plans to sack workers, David Goodhart writes.

The RMT transport union said a 48-hour stoppage would cover the whole of Tuesday and Wednesday September 14 and 15 and a 24-hour strike the whole of Friday September 23. They will follow a 24-hour strike called for next Thursday.

Mr David Armstrong, human resources director of Railtrack, said he was appalled at the announcement of more stoppages. He said: "Every striker has lost over £1,000. Railtrack's losses stand at over £100m. And for what? The RMT would rather indulge in a little show of strength than negotiate a package that has been on the table since June 28 and would benefit every signal worker."

Reports of the Railtrack plan to dismiss striking workers and offer them new contracts drew an angry response from Mr Jimmy Knapp, RMT general secretary. He insisted that a Railtrack policy of hoping to scare people back to work was "doomed to failure".

He said: "Railtrack should abandon their macho management stance and get back to genuine negotiations on RMT's claim. That is the only way this dispute is going to be resolved."

Railtrack said that more than 53 per cent of trains ran during this week's 48-hour strike, the highest number so far.

London Tube increases offer

The threat of possible London Underground strikes to coincide with signal workers' stoppages receded last night when the Tube's management said it was prepared to increase its staff's cost of living increase from 2 per cent to 2.5 per cent.

The offer was conditional on Aslef, the train drivers' union, and the RMT transport union withdrawing their ballots on industrial action.

The conciliation service Acas said the unions had agreed to respond by September 14.

AA Insurance to shed 550 jobs

AA Insurance yesterday announced the loss of up to 550 jobs in Cheshire, Cheshire. It said that processing work was being transferred from Cheshire to Newcastle and Cardiff.

Mr Sean Keating, national secretary of the GMB general union which represents most of the staff, said: "This will be a devastating blow but we hope that some of the staff might be redeployed."

He said that insurance industry restructuring driven by the growth of direct sales was the reason for the redundancies.

The company said that a reassessment of AA Insurance was announced in May to ensure that the company retained its position as the "premier personal-fines intermediary in the UK".

Some domestic coal prices frozen

British Coal yesterday announced a price freeze on some domestic fuels, including anthracite, a smokeless fuel used for household central heating. Prices for "selected housecoals" - the traditional fuel for open fires, will rise by an average of 0.6 per cent.

Reserves fall \$27m

The UK's official reserves fell by \$41m in August to \$42.54bn, Treasury figures show. On an underlying basis, excluding transactions such as repayments under the exchange cover scheme, the fall was \$27m, about in line with market forecasts of a \$25m decline.

Pro-unionist MPs flex their muscles

By David Owen

For the moment they are mainly content to keep a watchful and suspicious eye on the progress of the UK-Irish peace initiative. But if events turn sour - as many of them fear they will - their misgivings could burst damagingly into the open.

The large pro-unionist contingent in Conservative ranks will continue to exert a strong influence over Mr John Major in the aftermath of this week's open-ended IRA ceasefire.

The need to ensure their tacit acceptance of the direction of government policy will be among the main factors shaping the prime minister's words and deeds in coming weeks.

One area in which the views of the pro-unionist grouping could quickly influence the government's strategy is the vexed issue of whether the IRA ceasefire is permanent.

Mr Jim Cran, Tory MP for Beverley, yesterday urged the government to take a hard line, saying ministers should insist that Sinn Féin uses the phrase "a permanent renunciation of violence" in its amplification of the IRA statement. "All we have... is a sort of armistice," Mr Cran added.

In practice most Conservatives would probably fall into line once Mr James Moynihan, the Ulster Unionist party leader, let it be known that he was satisfied that the cessation of IRA violence was for good.

Tory right

Many pro-unionists still hold profound reservations about the prospect of government officials holding bilateral talks with Sinn Féin representatives. Earlier this week Mr Norman Lamont, the former chancellor, said in a pamphlet written before the ceasefire that the country "should be spared the sight of ministers of the Crown or their representatives sitting around the same table as men who until three months before were bombing our fellow countrymen".

Mr Lamont is expected to return to the subject of Ulster in a newspaper article this week.

Ms Lisl Biggs-Davison,

trustee of the Friends of the Union under whose imprimatur Mr Lamont's pamphlet appeared, said she would be "terribly reluctant" for the government to talk with Sinn Féin. "I want to know what will happen to the people who have carried out those terrible crimes," she said.

If pro-unionists do decide to make public their reservations about the course of events next month's Conservative party conference will provide the perfect opportunity.

Not only is there a debate on Northern Ireland, but a series of events is planned on the conference fringe. One pro-unionist said this week that Northern Ireland was destined to be "the big issue in Bourne-mouth".

The expectation among most Tories is that unless the peace initiative goes badly off the rails Mr Major and Sir Patrick Mayhew, the Northern Ireland secretary, are set to be applauded to the rafters for trying to end the violence.

But the strength of the Tory pro-unionist faction should not be underestimated.

The backbench Northern Ireland committee is firmly in pro-unionist hands, under the low-key but effective chairmanship of Mr Andrew Hunter, the MP for Basingstoke.

Its influence in cabinet has also increased markedly with the promotion of Viscount Cranborne, leader of the Lords, and Mr Jonathan Aitken, chief Treasury secretary, in the recent reshuffle.

'Peace bond' plan urged to boost aid

By Richard Waters

New York

Mr Alan Hevesi, comptroller (treasurer) of New York city, has called for an issue of "peace bonds" to be launched in the US to help support Northern Ireland's economic development once peace is established in the province.

Repeating statements he made in Northern Ireland early in July, Mr Hevesi said Irish Americans would be willing buyers of such bonds, just as Jewish Americans have bought substantial amounts of Israeli bonds.

"A constructive peace process will have a major effect on investment in Ireland, north and south," he said.

The comptroller has used his position as a custodian of New York's public-employee retirement fund to justify his statements on Irish affairs. The fund has \$6bn (\$4bn) invested in companies which have business interests in Northern Ireland.

Mr Hevesi said he wanted to encourage these companies to adopt employment practices worldwide which reflected the so-called McBride Principles adopted by New York. These are designed to give minorities improved access to jobs.

He suggested, however, that the figures did not prove that girls performed better in a single-sex environment. He pointed out that boys' performance was roughly equal to that of girls at A-level, which

most pupils in the independent sector regard as more important than GCSEs because they are used to determine university places.

Girls number one, Page 7

Cleaners win claim after Lords ruling

Nine former cleaners at ICI Wilton on Tyneside yesterday became the first beneficiaries of a House of Lords ruling that part-time workers are eligible for redundancy pay on the same basis as full-time employees.

The women, who lost their jobs last November, learned yesterday that their claim for redundancy pay two months ago had been successful. It is believed to be the first claim of its kind since the Lords decision in March.

The women, members of the Transport and General Workers' Union, were employed by Initial Contract Services.

The industrial tribunal at Newcastle ruled that workers should be paid redundancy money on a retrospective basis as the UK domestic law was not in line with EU legislation.

TGWU district officer Mr Tim Bush said: "We have proved the principle that part-time workers made redundant, who have completed more than two years' employment with a company before the House of Lords decision, can claim retrospective redundancy payments."

Before the Lords decision part-time workers had to work for five years before enjoying the rights gained by full-time employees after two years. Mr Bush said the amounts due to the women would be worked out later.

Independent girls' schools dominate exam results

By John Authers

Girls' schools dominate this year's performance in GCSE examinations by independent schools.

When schools were ranked by the proportion of GCSEs - the main examinations for 16-year-olds in England and Wales - resulting in a pass at grades A to C (equivalent to an old O-level pass), 13 of the top 20 schools were for girls only.

When ranked according to their proportion of A-grades, girls' schools were similarly dominant, accounting for 17 of the top 20.

A total of 47.7 per cent of entries in girls' schools scored an A grade, compared with 39.6 per cent for independent schools as a whole.

They enjoyed even greater success in the starred-A grade, introduced this year to recognise outstanding achievement. It was awarded to 2.9 per cent of all GCSE entries nationally, including the state sector, but to 9.9 per cent of entries from independent schools.

At Withington Girls' School in Manchester 44.5 per cent of GCSEs entered resulted in a starred-A.

Mrs Margaret Kenyon, headmistress of Withington Girls' and president of the Girls' Schools Association, said: "Girls flourish in girls' schools."

Overall, the disparity between GCSE performance in independent and state sector schools appears to have widened since last year. In private schools, according to figures

provided by the Independent Schools Information Service, 39.6 per cent of entries were graded A or better, up from 37.8 per cent last year. The figure for all schools is 12.2 per cent, up from 12.7 per cent last year.

Independent school pupils enjoyed more success in gaining at least a C-grade, with 89.4 per cent of entries achieving this level, compared to 83.1 per cent for the nation as a whole.

His also revealed that candidates had taken an average of 9.1 subjects each, rebutting allegations that schools were stopping pupils from entering in their weaker subjects to boost their league table standings.

Mr Vivian Anthony, secretary of the Headmasters' Con-

ference, which represents the most prestigious independent boys' and mixed schools, said the results showed that girls performed much better academically than boys at the age of 16.

He suggested, however, that the figures did not prove that girls performed better in a single-sex environment. He pointed out that boys' performance was roughly equal to that of girls at A-level, which

most pupils in the independent sector regard as more important than GCSEs because they are used to determine university places.

Girls number one, Page 7

Archer named in client details for Anglia share deal

By Robert Peston

The stockbroking account set up by Lord Archer for dealing in Anglia Television shares days before the takeover bid from MAI contained his own name as part of the client reference details.

The former Conservative party deputy chairman told Department of Trade and Industry inspectors investigating allegations of insider dealing that he placed the share orders on behalf of a Mr Brook Sait.

It emerged yesterday that the account used by Lord Archer at bro-

kers Charles Stanley for dealing in the Anglia shares was set up in the name of "B Sait Esq, c/o J Archer, Alembic House". Lord Archer has a penthouse in Alembic House.

Mr Alistair Darling, Labour's spokesman on the City, said this disclosure reinforced his party's case that the DTI should publish the report into alleged insider trading, so that the public could judge what really happened. At the end of July, Mr Michael Heseltine, the trade and industry secretary, decided not to take any further action against Lord Archer.

The DTI investigation focused on two orders placed by Lord Archer for the purchase of 50,000 shares in Anglia, whose directors include his wife Lady Archer. The first was placed on January 13, the day after Anglia's board had been given details of the price MAI was prepared to pay for the television company's shares in a takeover bid.

At around 10am, Lord Archer called Simon Wharmby at Charles Stanley. He had never before dealt through Charles Stanley but had used Mr Wharmby's services at his previous stockbroking firms.

He asked Mr Wharmby about the availability of Anglia shares. Mr Wharmby found out that a parcel of 80,000 shares was available.

Lord Archer said that the price being asked was too great, and placed an order to purchase 25,000 shares at around 48p. Mr Wharmby then spoke again to Charles Stanley's dealers, who clinched a deal with a market maker, or wholesaler of shares.

According to stock exchange records, the deal was done at 10.25am. Mr Wharmby then telephoned Lord Archer and told him

the deal had been completed. He had assumed that Lord Archer was dealing for himself. However, Lord Archer said the shares should be booked in the name of Mr Sait.

Lord Archer also told Mr Wharmby he would be interested in buying more shares if they became available at a similar price. As a result, the following day Mr Wharmby telephoned him and offered him a second parcel of 25,000 shares, which Lord Archer agreed to buy again on behalf of Mr Sait. The deal was done at 2pm.

Both deals were completed in such

a way that they counted as falling into the next trading account, which meant no money had to change hands at that stage. The following Tuesday, January 18, MAI announced its £292m takeover bid very early in the morning.

At 10am, after the share price had soared around 160p, Lord Archer telephoned Mr Wharmby and sold the shares, netting a profit after commission of just over £77,000.

An "account payee only" cheque for this amount, made out to Mr Sait, was sent on February 4 to Lord Archer's London address.

Senior Tory MP quits political consultancy

By David Owen

Sir Marcus Fox, chairman of the Tory backbench 1922 committee and a member of the Commons committee investigating the so-called "cash-for-questions" affair, is stepping down from the board of one of Britain's leading political consultancies.

He is one of four MPs who will cease to be directors of Westminster Communications this month.

The other three are Mrs Ann Taylor, shadow education secretary, Mr

Menzies Campbell, Liberal Democrat foreign affairs and defence spokesman, and Sir Keith Speed, Conservative MP for Ashford.

The four will also sever their financial links with the company. It is understood that Mr Campbell has been paid £5,000 a year for his services.

The move is significant because it comes when the outside interests which many MPs use to supplement their salaries are coming under

increasing scrutiny amid calls for a fundamental reassessment.

Many expect one result of the current probe will be to make it harder for MPs to serve as directors or consultants of professional lobbying companies and public affairs consultancies. The move by the four MPs will reinforce such expectations.

If the committee did decide to recommend such a move it could have a serious effect on the overall earnings of some MPs, who continue to act as

directors or consultants to PR and lobbying companies.

In January, when the latest register of MPs' interests was published, these included Mr Michael Jopling, the former agriculture minister, Sir Peter Fry, the Tory MP for Wellingborough, Dame Angela Rumbold, former Home Office minister, and Mr Paul Tyler, Liberal Democrat MP for Cornwall North.

The departure as directors of the four MPs has been necessitated by an application by Westminster Com-

munications to join the Association of Professional Political Consultants.

The APCC does not allow members to "place themselves in a position of potential conflict of interest" by appointing any MP to their board or by paying "any retainer or commission to an MP."

Mr Andrew Gifford, chairman of the association, said last month he thought it was "difficult to see how you could very easily have MPs on the board or retained and not have some perceived conflict of interest".

Sir Marcus, who lists seven directorships and three consultancies in the current register, was selected in July by Labour leftwingers as a token target in their failed attempt to ensure that the privileges committee inquiry was conducted solely by MPs with no outside interests.

The inquiry was triggered by the action of two Conservative MPs - Mr Graham Riddick and Mr David Tredinnick - in agreeing to accept payments of £1,000 to table parliamentary questions.

£72,000 awarded to RSI sufferer

By Richard Donkin, Labour Staff

An industrial radiographer who suffered repetitive strain injury as a result of his work has been awarded £72,000 by the Court of Session in Edinburgh in the second highest compensation payment to a sufferer in the UK.

Mr Victor Hunter, 48, of Bridge of Weir, Renfrewshire, sustained the injury while helping to check castings. His job with Clyde Shaw, a steel-maker of Motherwell, near Glasgow, which is now in liquidation, involved making repeated adjustments to a turntable carrying heavy metal components while they were X-rayed.

Mr Frank Maguire, of solicitors Robin Thompson and Partners who handled the case, said yesterday's judgement made it clear Mr Hunter's injuries were caused by the excessive, repeated force of movements he had to make in the course of his work. The defence claim that his condition was not work-related was rejected.

Mr Hunter said his pain started with a "small niggle in my elbows" which grew progressively more severe and led to his absence from work for six months. He started his legal battle, backed by the MSF technical union, three years ago when the company made him redundant.

The case is one of several which have recently placed RSI squarely in the category of industrial injury after an English High Court case less than a year ago cast doubt on the condition. In rejecting a claim at the time, Judge John Prosser said RSI was "meaningless and had no place in medical books".

Since then a number of cases have contradicted that ruling and employers appear increasingly to be seeking to settle claims out of court.

The highest UK RSI award was £79,000 to an inland revenue typist in January.

Ferry ban 'may cost farmers £200m'

By Deborah Hargreaves

British farmers could face lost sales of up to £200m a year as ferry companies impose a ban on carrying live animals destined for slaughter to the Continent, according to Mr Richard Beale, chairman of the Association of Livestock Exporters.

He said: "If the trade doesn't continue, we really are in a terrible pickle."

A ban by Stena Sealink on live animal exports came into force on Thursday. Brittany Ferries had already said it would stop transporting animals to Continental slaughter houses and Peninsular and Oriental said it would impose a ban on October 1. There is no alternative to shipping - live-stock is banned from the Channel tunnel.

Sir David Naish, president of the National Farmers' Union, will hold urgent talks with the ferry companies on Monday to try to avert the ban. The livestock industry is negotiating a new code of practice for transporting animals, and farmers hope that will defuse the situation.

The effects of the ferry companies' action are already being felt in the livestock markets. Mr John Astley, a sheep farmer on Anglesey, a sheep farmer on Anglesey, said he tried to sell 50 lambs yesterday in his local market of Gaerwen, but could only sell 30. He said: "It's the first time in the season when I've found no buyers."

September and October are the peak sales months for many hill and marginal farmers, who sell their lambs for further fattening before they are slaughtered.

About 20 per cent of these lambs, or 20m sheep a year, would usually be exported live to France and Spain. But public complaints about the way animals are treated en route have led to the ferry companies' curbs.

Mr Tim Bennett, a Welsh farmer who chairs the hill farmers' committee at the NFU, said: "This has come at the worst possible time of year. If farmers lose their ability to move large numbers of stock now it will have a considerable effect on the domestic market price."

Mr Astley said that prices at his local market had already fallen 15p a kilogramme to 80p for lambs. "That's getting to a serious level, below that it doesn't really pay to market the lambs," he said.

Farmers are trying to develop trade in animal carcasses to compensate for live animal deliveries, but French consumers are keen to buy fresh meat slaughtered locally. British farmers fear that if they are prevented from filling orders animals from eastern European or elsewhere will fill the gap.

Sir David urged caution on farmers who threatened to blockade ferry ports. He said: "Confrontational action of this sort will only alienate public support."

Fishermen turn ones that got away into profit

Fleet capacity is increasing in spite of government efforts and shrinking stocks, writes Alison Maitland

This summer's "tuna wars" in the Bay of Biscay have left an impression of a struggling British fishing fleet being forced to fight for new markets to stay afloat.

The Royal Navy's arrest yesterday of a British-owned but Spanish-based trawler suspected of exceeding its quota was the latest skirmish in an increasingly bitter battle.

Declining fish stocks and tight quotas imposed under the European Union's Common Fisheries Policy have restricted supplies in traditional waters and driven fishermen to new species in hostile territory.

But the image of an industry in terminal decline is far from representative of the UK fleet. Fleet capacity has grown by 1 per cent to 2 per cent a year in two years, and fishermen in some regions are benefiting from lucrative new markets.

When the government launched a £25m three-year decommissioning programme last year it attracted most interest from north-east and north-west England and northern Ireland. An official said: "That's probably a good indicator of where the industry is really being squeezed."

Higher bids for grants, which the government rejected, came mainly from Scotland and south-west England. These more buoyant fleets are exploiting new outlets in continental Europe.

Spanish fishermen may be objects of hate in Cornish fishing villages, but the Spanish taste for monkfish and megrim, a flatfish, has proved a godsend for Scottish fishermen in the past few years.

Mr Ian MacSweeney, chief executive of the Scottish Fishermen's Organisation, a body which promotes the interests of the fishing community, said fishermen off the west coast of Scotland would have been "wiped out" if they had to rely on traditional catches.

Monkfish used to be thrown back, or turned into scampi. "Now the monkfish are worth more than the scampi,"

The tuna caught in the Bay of Biscay go mainly to France and Spain. Mr MacSweeney believes the real cause of Spanish resentment at Cornish boats is that they are catching



Unloading for the Aberdeen market. Much of the catch is destined for export - the Spanish taste for monkfish has proved a godsend

Photograph: Donald Stewart

in fishing also threaten the stocks the fishermen depend on. Mr MacSweeney said: "We're getting better at catching the fish, but they're not getting more efficient at breeding."

The fleet's staying power is causing problems for the government, which seems unlikely to be able to keep its pledge to cut fleet capacity by nearly a fifth by the end of 1996 as part of a European Union drive to conserve fish.

Part of the problem is that quotas are broken. Officials say there are not enough fish to provide a decent living for the UK's 10,000 vessels. But estimates of the number of

so-called "black" fish - caught over and above quota - range as high as 50 per cent of the legitimate catch.

In a further blow to its efforts, the government was forced to suspend its controversial plan to limit days at sea after a High Court challenge by fishermen last year. That leaves it having to mop up capacity through tighter licensing of vessels, decommissioning and the possible introduction of bigger mesh sizes and closed fishing zones, to allow immature or breeding fish to escape capture.

Officials say the trend towards increased capacity

appears to be reversing, but they admit that the fleet remains obstinately resistant to restructuring.

There has been little concentration of ownership in the past decade and the number of vessels has remained fairly constant, with most still owned and run by individuals.

Mr MacSweeney believes market forces will fail to drive fishermen out of the industry, in spite of overcapacity.

"As long as you're getting a marginal return on your investment, it's better to keep going than to scrap your boat," he said. "There's no demand for a redundant fishing vessel."

Fall in house price index points to fragile recovery

By Andrew Taylor, Construction Correspondent

House prices fell 0.7 per cent last month, figures published yesterday by Halifax Building Society show, emphasising the fragile nature of the housing market recovery.

The monthly fall means that prices have fallen 0.3 per cent in the previous 12 months, the country's biggest mortgage lender said. Prices had remained broadly stable since the end of last year and small monthly falls and rises were to be expected in the current market, it added.

RPI statistics go private

By Gillian Tett, Economics Staff

The first private-sector contract for the collection of official government statistics was awarded yesterday.

Research International, the UK's fourth-largest market research group, has won a five-year contract to collect data for the retail price index, the Central Statistical Office announced.

The collection, processing and validation of about 140,000

prices a month in 180 areas throughout the country was previously performed by the Department of Employment. The CSO will continue to put the data together for government and public use.

The CSO said yesterday: "More rigorous statistical sampling techniques will be used to make the selection of both retail outlets and items more representative of how the public spend their money."

More random regional sampling would be incorporated

into the series, along with a broader range of shops, the CSO said. Data collectors would use hand-held computers to collect the data, in place of the traditional clipboards.

If trials prove satisfactory, Research International's first data will be for February next year.

Earlier this year the contract for the publication and marketing of government statistics was awarded to the private-sector market research group Taylor Nelson AG.

Bottom line, Weekend Page 11

Manx ministry shake-up urged

By Sue Stuart

The Isle of Man government said in a report yesterday that responsibility for financial services should be split off from its treasury into a new department, and the island's industry and tourism departments should be merged in a new trade and industry department.

The financial sector is the largest contributor to the island's economy, but the government does not have a department responsible solely for its affairs.

The report on economic strategy, compiled by the Central Economic Strategy Unit under the chairmanship of Mr Terry Groves, a member of the House of Keys - the lower of the island's two parliamentary chambers - produced 71 recommendations. They included setting up a companies division in the island's

agriculture and trade and industry.

Mr Miles Walker, the island's chief minister, said yesterday that the government had already formed the committee. He said restructuring to create new departments would take about two years.

The report was the first commissioned by the island's government to include extensive private-sector involvement. Its recommendations include:

- Negotiating double taxation agreements for the growing ship management industry.
- Negotiating bilateral agreements with European Union states for the sale of Manx financial products.
- Enacting clearer trust legislation.
- Enhancing and focusing government marketing strategies.
- Enacting more legislation in the island, rather than taking

legislation directly from the UK. Priority would be given to commercial legislation.

Examining ways to ensure better use of the workforce, such as retraining, provision of childcare and incentives for businesses providing home work schemes.

On residency the report says: "It is not possible that growth and development of the economy could be achieved without an increased labour force and therefore a higher population level. But the ultimate objective is for maximum national income at the minimum level of population."

It recommended replacing the existing work permit system with identity cards, which would be issued to residents who fulfil criteria - such as long-term residence, birthright and key-worker status - which would be varied according to the island's needs.

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Saturday September 3 1994

Division of labour day

Out of 'votelessness', comes thoughtlessness. Unable to put people first in Congress, President Clinton would like to see the Federal Reserve take on the mission instead. The lesson from this world recovery, however, is that the central bankers who seem all but indifferent to the employment of their fellow-citizens are best able to deliver the sustainable recovery which, in the long run at least, is the surest way of producing it.

He ought to know better, but Mr Alan Blinder, the newest vice-president on the Fed, recently backed up Mr Clinton's demands for more personable monetary policy-making, by suggesting that the Fed should focus more on employment growth for the next couple of years. The attractions for the president are obvious. So far this year, the Fed has delivered on its mandate rather more effectively than the White House: why not broaden it to include more jobs, as well as stable prices?

There are (at least) two reasons why not. One practical difficulty, which would face any central banker who adopted a more explicit employment target, would be deciding what such a target might be. Today's complex mix of labour market conditions in the world's main industrial economies give little clue as to what the target might be. The second, more timeless, reason why an additional employment target should be ruled out is that a multiplicity of aims, even if they could all be applied in practice, has proved inconsistent with monetary policy success.

Mr Blinder's comments conflict with remarks by his chairman, Mr Alan Greenspan, who last week warned that addressing monetary policy to the task of reducing unemployment would only bring instability in financial markets. At first glance, however, the US economic data released last week do add weight to Mr Blinder's case.

Sustainable pace

The revised real growth rate in US gross domestic product in the second quarter, at 3.8 per cent, was only 0.1 percentage points higher than previously thought, a considerably smaller revision than many had expected. Coupled with other subdued data, this adds to the impression that the five interest rate increases since the beginning of the year may be slowing the economy to a more sustainable pace. Given yesterday's news of an unexpectedly small 179,000 increase in non-farm payrolls for August, less than observers than Mr Greenspan might argue that further monetary tightening should be delayed.

Yet even Mr Blinder would not

argue that a US unemployment rate of 6.1 per cent provides much room for non-inflationary stimuli to job growth. The most optimistic estimates of the rate of unemployment that is consistent with stable prices would not be much lower than 5.5 per cent. This year's household survey and labour department statistics have been sending contradictory signals on employment. But the difficulties in deciphering the data merely suggest that the Federal Reserve should avoid adjusting its interest rate policy in light of short term employment trends.

German unemployment

The Bundesbank is certainly not one for doing so. This week's Council meeting once again decided against lowering interest rates, despite the fact that pan-German unemployment continues to rise. With official German unemployment set to peak at about 10 per cent, the Bundesbank's determination to maintain monetary restraint seems downright perverse to the Americans. Yet Germany's economic recovery, though considerably younger than that of the US, already seems rather more 'voteful' for Chancellor Kohl than it has been for Mr Clinton.

The difference in the two leaders' positions can be traced to political factors as well as economic ones. But a part of the spring in Mr Kohl's step, as he enters the last stage of his campaign for re-election, can be traced to the way the Bundesbank's tough stance on inflation has already produced low long-term interest rates. These, in turn, have enabled the German recovery to proceed more quickly than many had expected after such a prolonged downturn. The signs are that GDP in the second quarter rose about 2.3 per cent from 1993, considerably higher than expected a few months ago.

Monetary policy can never be as finely tuned as many politicians would like. Estimating the effect of a given change in direction, let alone the time lag with which it operates, will always be a matter of educated surmise.

But the same uncertainty need not, and should not, apply to the declared goals of its practitioners. Presidents have to juggle conflicting objectives and satisfy multifarious constituencies. Central bankers, by contrast, are best employed in sticking to the overriding objective of monetary stability.

To judge by his recent Congressional travails, Mr Clinton too would benefit from showing a bit of single-mindedness. He should certainly resist the temptation to pressure the Fed to imitate his own often excessive desire to please.

Perhaps, after two and a half decades of stomach-churning attrition, this week's IRA ceasefire means the people of Northern Ireland can start burying their differences instead of their dead. Perhaps not.

Whichever direction Ulster takes from what the high command of the provisional IRA calls an "historic crossroads", it will be too late for Mr Sean McDermott, the 37-year-old catholic shot dead by loyalist gunmen just 12 hours before the midnight ceasefire began.

But, for the baby boy born to Lisa Stewart in Belfast's city hospital six hours and six minutes into the peace, there is the chance of a life free of the troubles which began the year his mother was born.

Whether the province is finally awakening from a 25-year nightmare, which by last night had claimed 3,170 lives, or is preparing for something worse will now begin to unfold, fitfully and unpredictably, over the next weeks and months.

The rows over the calculated decision of the IRA not to commit itself to the "permanent" ceasefire demanded by London and Dublin and on the untimely return to Ulster jails of four republican prisoners, which hinted at secretly agreed concessions by London, will not be the last. They will appear trifling compared with what lies ahead, and the leadership qualities and goodwill of everyone involved will be severely tested.

The timing of a breakthrough delivered by the republican movement came as a surprise after nearly nine months of private verification and public point-scoring on the contents of last December's Downing Street declaration - London and Dublin's best shot at establishing an universally acceptable blueprint for a lasting political settlement for Ulster.

Though the announcement came suddenly, the underlying shift in attitudes has been gradual.

Upbeat predictions had been made before in the land of false dawns, but this time they reflected a perceptible change in attitudes within the community.

Under the leadership of Mr Gerry Adams, Sinn Féin - the IRA's political arm - has been pursuing for seven years its own Irish peace initiative. Its efforts - against a background of dwindling public support and a growing recognition that consent, not coercion, was the only strategy supported in both north and south - have been met from outside with contempt.

But Mr Adams has managed to cultivate within republican ranks a culture of debate and the notion of political negotiation as an alternative to the armistice. The leadership of Sinn Féin and the IRA appear to understand that the ability to kill has not brought much progress towards British withdrawal and a united Ireland.

While there is no deviation from its ultimate objective of a 32-county Irish republic, it is prepared to try an alternative route. According to Mr Adams: "Irish nationalism has sufficient political confidence, weight and support to bring about the changes essential for a just and lasting peace."

While the IRA and Sinn Féin have made the running - manipulating and sometimes winning the propaganda battle with London - the unionists have seemed to be outflanked and at risk of being swept along by events.

Twenty years ago, hardliners in the protestant community were able to combine forces to bring down the

The IRA's ceasefire represents only the first stage on a perilous road to lasting stability in Ulster, says Michael Cassell

The struggle to hold on to peace



newly established power-sharing executive, demonstrating a unity and resolve which is no longer evident. Now, the broad body of unionists face a stark choice.

They can try to wreck any new political initiatives to preserve a status quo no longer acceptable in London, or they can help forge a compromise package of political and constitutional change. Confronting them as they choose will be a formidable coalition stretching from Washington to west Belfast.

Whatever happens, protestants intend to keep a tight grip on the rock which guarantees Ulster a place in the United Kingdom for as long as the majority wishes.

For Mr John Major, maintaining the unionists' trust will be of paramount concern - hence reports of a prime minister "livid" over the return to Ulster of IRA prisoners. Hence, too, the fact that it was Mr James Moynihan, the patient, profoundly sceptical leader of the Ulster Unionist Party, who was first into Downing Street after the ceasefire announcement.

So far, Mr Moynihan remains on board and behind a Downing Street declaration he once dismissed as "a dead Christmas tree". And he will be called on to try contain the loyalist paramilitary threat to further progress. Yesterday, hopes were rising that, while further revenge attacks by loyalist extremists cannot be ruled out, they might suspend violence if reassured about Ulster's right to self-determination.

Mr Major, whose bold, joint initiative with Dublin has brought republicans to the negotiating ante-room, will be less concerned about the continuing self-exclusion from any future talks of the Rev Ian Paisley's Democratic Unionist Party. The hope is that, eventually, his still-potent voice will be undermined by political momentum.

Provided the IRA ceasefire holds, Downing Street is unlikely to delay much longer recognition that the IRA action is intended to be permanent. This would mean that initial, exploratory contact between British government officials and Sinn Féin could take place before Christmas.

Sinn Féin dialogue with the Dublin government will begin earlier, with Mr Albert Reynolds, the Irish premier, anxious to embrace northern republicans in his proposed north-south Irish Forum for Peace and Reconciliation. The forum could be operational by October.

Mr Adams, on a path perhaps even more dangerous than Mr Major's, will need rapid evidence that the ceasefire is paying dividends to keep his supporters behind him. The UK government is likely to oblige with an early end to the broadcasting ban on Sinn Féin.

Equally important for British ministers will be success in their joint efforts with the Irish government to piece together the pivotal

framework document on which political and constitutional progress can be based. The document could be finalised next month, and will include a power-sharing Ulster assembly and a number of cross-border institutions.

It will also incorporate changes to the Irish constitution, possibly involving a referendum, renouncing Ireland's territorial claim on the north. In return, Britain will amend the 1920 Government of Ireland Act which gives Westminster "supreme authority" over Northern Ireland. The gesture is seen by Britain as largely symbolic, given subsequent legislation enshrining the principle of majority consent for changes in Ulster's constitutional position.

The format for planned bilateral exploratory talks between Sinn Féin and British government officials is undecided. But secret discussions between the two sides in 1993 envisaged exchanges involving three representatives from each side.

These talks will enter totally uncharted waters and could easily expose the obstacles that cause the peace process to come unstuck. Under the heading "practical consequences of ending violence", will come the intensely emotive and complex question of all-round demilitarisation, without which further progress will be impossible.

Any hope of bringing all parties to round-table talks will stand or fall on the removal of terrorist

weaponry and the threat it could be used again. Sinn Féin and the IRA will be equally adamant in demanding a comparable de-escalation of British military and security forces, including a withdrawal of British troops initially to barracks and ultimately back to the mainland.

The issue of IRA prisoners will prove as intractable. "Our prisoners come first and last. If they are not released, you can forget the whole thing," a senior republican source says. Downing Street has rejected a general amnesty, and unionists intend to keep Mr Major to his word.

Only when the matters of weaponry and prisoners have been resolved can the crucial constitutional issues be addressed in wider talks aimed at securing a comprehensive, negotiated political settlement.

At their heart is the issue of self-determination and what Sinn Féin calls the loyalist "veto" over moves towards a united Ireland. The going here will be no easier.

Republicans have now embraced the principle of unionist consent, but only in the context of the right to self-determination of the Irish people as a whole. In other words, Ulster can have its referendum but only the decision of all the people of Ireland will count.

Mr Adams also insists that Britain has a responsibility to persuade unionists that their best interests lie in the creation of an agreed and stable Ireland. Mr Major, however, will not join the persuaders or withdraw safeguards for unionists. A shift on either could see him destroyed at the hands of Westminster's Ulster unionists and unhappy Tory MPs.

The agenda for agreement looks impossibly daunting but then, until recently, the prospect of any progress between two historically and diametrically opposed forces appeared fanciful.

If the politicians have their doubts, an Ulster opinion poll yesterday showed only 9 per cent of protestants and 58 per cent of Catholics believe the ceasefire will last.

Suspensions are held equally deeply on both sides; those of Ulster's protestant community who can contemplate negotiation with those they consider mass murderers do so only because the prize of peace is desperately sought.

There are understandable suspicions that the IRA's gesture is a sham, and that the organisation is only intent upon further destabilising the province before returning to violence when it can justify a resumption.

Republicans believe they have cause to doubt the good intentions of a British government they say has betrayed them too many times in the past and which wants to trap them into a peace before replacing Ulster on the political back-burner. The IRA and Sinn Féin know that the passage of time would make any return to violence increasingly difficult to justify and would lose them any credit recently won from a relieved domestic and international community.

But as the week ended, there was an unfamiliar, enjoyable peace along the Shankill and up the Falls, across the Highfield estate to Andersonstown. Republicans have a Gaelic battle cry of *Yochfaidh ar la!* - our time will come - while hard-line unionists shout "No surrender!" The two sides remain divided by a gulf of historic proportions but the overriding hope is that the gap may just have started to close.

MAN IN THE NEWS: Dieter Bock and Tiny Rowland

Elderly boss keeps colleagues in place

Whatever it is that Tiny Rowland takes to keep himself going at the age of 76, it does not come from Body Shop. This week he confronted an incipient boardroom coup at Lonrho, the international conglomerate and emerged triumphantly unscathed, like some ageing tyrannosaur crashing through the corporate undergrowth.

The lesser species who had sought to unseat him, including his fellow joint chief executive Dieter Bock, were simply outmanoeuvred. Thus it ever was at Lonrho, where the choice for Tiny's fellow directors has usually lain between total subservience and total war. The middle ground has always, in the end, turned out to be illusory.

The chief *casus belli* in this instance was the £5.5m a year that Rowland is said to cost Lonrho in salary and expenses. Along with a basic salary of £1.2m he receives numerous payments towards the cost of his homes in Belgravia and Buckinghamshire. His domestic staff and even the education fees of dependants of African politicians and business contacts. There is much at stake, it seems, for the public school system in the outcome of the Lonrho succession.

The most extraordinary feature of this latest twist in the Lonrho saga is that it so closely resembles the earlier, notorious boardroom row in 1973. That was when Edward Heath, the then prime minister, pronounced anathemas on Rowland by referring to the unacceptable face of capitalism. There, too, part of the argument turned on pay and expenses. And in a subtly managed campaign Rowland routed the so-called "straight eight" directors who were seeking to throw him out.

Much water has passed under the bridge since then, but not a great deal else. In the 20 years after the row turnover increased from £274m to £3.9bn, while earnings per share ran the whole gamut from A to B, with a rise from 6.0p to 6.4p. Last year finally saw alphabetic progress

in the shape of a jump to 15.1p, but this was levitation. Most of the money was earned in discontinued operations which were shed to bolster Lonrho's cash position. In real terms the share price languishes at around one-fifth of the level it reached at its peak in the bull market of 1983.

The one thing that generated a consistent and rising cash flow for most of that time was the dividend policy, which helps explain why Lonrho has always lived on the edge of a never-ending cash crisis.

Nor was this at the urging of greedy institutional shareholders. The big insurance companies and pension funds had boycotted Lonrho since 1973, thereby ensuring that Rowland could tyrannise over the tiny stakes of impatient small shareholders, who supported him for longer than anyone else would have thought humanly possible.

The chief beneficiary of these overgenerous payouts, until Bock arrived on the scene, was of course the biggest shareholder: Rowland himself.

Another extraordinary feature of this week's events is the apparent belief of some Lonrho directors that there is a civilised alternative to a damaging row. In any company which was being damaged to the tune of £5.5m of potentially controversial expenditure a year that premise would be questionable.

At Lonrho, where all history indicates that the only way to remove Rowland from the boardroom is with a growbar, the notion is absurd. The fearsome septuagenarian entrepreneur has too much at stake, starting with the annual £5.5m and ending with an emotional attachment to Lonrho that is both real and fierce.



What is needed for the task is the will - and indeed the skill, since no one is more adept at removing other people's crowbars than Rowland. On the basis of this week's form, Bock would appear to have been rather easily mugged. Nor is it wholly clear that this German businessman is the right man to take Lonrho forward.

Whoever runs Lonrho over the next year or two can hardly avoid doing well. As a global ragbag of more than 600 businesses, which are mainly passive hostages to economic cycles and fluctuating commodity prices, Lonrho is an obvious beneficiary of the recovery that is spreading inexorably across the world. With many of its operations in developing countries it can also benefit, in its disposals programme, from the enthusiasm for emerging

markets.

Bock claims to be a sophisticated investor who has dealt successfully in property and hotels. He should thus know how to shuffle the pack to good advantage. Yet the key to a sustainable long-term strategy at Lonrho lies in managing the assets rather than shuffling them.

Last year Lonrho's motor and equipment distribution business and its manufacturing interests had a combined turnover of more than £200m from which they extracted no profit at all.

More than £500m worth of hotel property generated pre-tax profits of only £12m. In Britain, where turnover topped £700m, the pre-tax profit was a mere £8m. This litany of under-performance could be extended *ad nauseam*.

Bock's past does not suggest that

he is the man to address that particular gargantuan task. And from the point of view of outside investors he may appear a mixed blessing in another sense. He maintains business interests outside Lonrho which involve him in potential conflicts of interest. An obvious case in point relates to property, where his participation in a big City of London office development with Lord Palumbo is being undertaken through his private interests. Yet Lonrho is no stranger to property.

No doubt the German could argue that the financial commitment would be inappropriate for Lonrho in its present condition. But much of the talent that has afflicted the company over the years, and which prompted the original Department of Trade investigation into its affairs, goes back to the potential conflict between Rowland's private and public interests. Once again history appears to be repeating itself in an uncanny way.

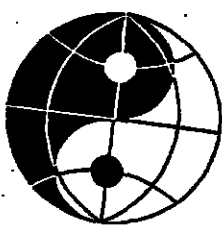
Last October Rowland said of his adversary, in a characteristic outburst: "I'm still waiting for some performance from him. So far he hasn't delivered a stroke of business. Frankly, he hasn't a clue." Maybe or maybe not. But Bock does have more than 18 per cent of the capital of Lonrho, together with a right to acquire most of the remaining 8 per cent or so owned by Rowland. Meantime two long-standing Rowland supporters on the board, chairman René Leclézio and deputy chairman Robert Dunlop, are due to retire.

This suggests that Bock will in due course feel able to rise to the challenge. But before he takes a new crowbar to the greatest carnivore in British business he would do well to prepare the ground with more care.

An excellent precautionary move would be to feed the vegetarians in the Lonrho boardroom with a steady diet of good red meat. In the country of the blind, even a 76-year-old tyrannosaur stays king.

John Plender

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Money, kids and family rows

Debate at the UN's population summit is about how, not whether, to curb growth in numbers, says Bronwen Maddox

In the past two years Dr Nafis Sadik has travelled to more than 150 countries, some more than once, while preparing to chair the United Nations conference on population and development which begins in Cairo on Monday. His grandson, he says, assumes she must have a tyrannical boss who orders her to travel constantly. Dr Sadik is amused by the irony, as the conference's aim – and the target of bitter attacks from governments and religious groups – is to give women more control over their lives.

This weekend, as more than 10,000 delegates, lobbyists and journalists from 170 countries gather in the African continent's most populous city, battle lines have been drawn. In an unlikely alliance against the UN's draft policy document, Pope John Paul II has accused the conference of promoting abortion as a means of contraception, while Egypt's Al-Azhar University mosque, influential in the Muslim world, has criticised the draft agenda for condoning homosexuality, pre-marital and adolescent sex.

Apparently moved by such concerns, Saudi Arabia and Sudan, both Moslem countries, have announced they are boycotting the conference. The decision of Turkey's prime minister, Tunc Ciller, and Bangladesh's prime minister, Begum Khaleda Zia, not to attend may also have been influenced by the mounting religious opposition.

Such reactions are unsurprising: the issues bring to the fore the sorest divisions between governments, cultures and religions. Two years ago, Britain's Prince Charles accused the Rio Earth Summit of ducking population control and contraception issues because of their contentiousness, despite their relevance to environmental concerns.

Yet Cairo opens with a greater level of international consensus on the desirability of lower birth rates than was imaginable 10 years ago at the

UN's last population conference in Mexico. This partly reflects a new recognition of the scale of the problem. The UNFPA – the UN population fund, of which Dr Sadik is executive director – estimates the world's population will nearly double to 10bn from 5.7bn by the middle of next century.

In the light of such projections, many African countries, which appeared uninterested in curbing population growth a decade ago, have undergone a sea change in attitude. Part of the reason has been the impact of rapid population growth on over-stretched health and education plans. Moreover, some such as Dr Fred Sal, Ghanaian president of the International Planned Parenthood Federation, which promotes family planning services around the world, argue overpopulation has been a factor in Rwanda's turmoil.

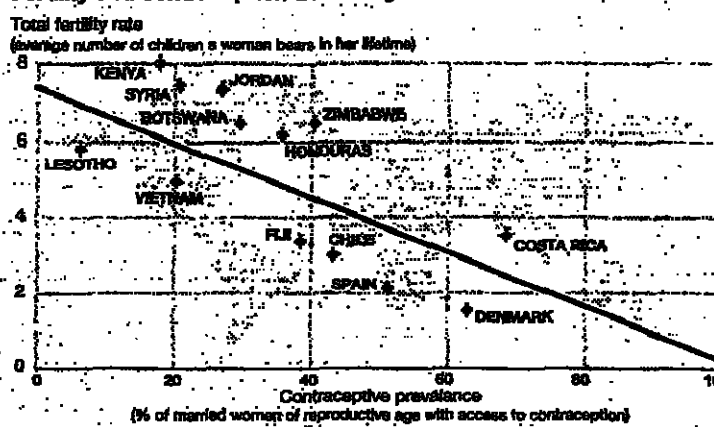
But the greater consensus also reflects a new confidence among countries that family planning can work. That optimism is based on the sharp falls in fertility rates the average number of children borne by a woman – in most developing countries since the Mexico conference. To demographers' surprise, rates have fallen even where economic development has been slow, confounding conventional wisdom. Easy access to contraception (see chart) is one of the most important factors leading to smaller families, experts now argue.

Countries which have not shown such declines in fertility rates are still ambivalent or sceptical about family planning and tend to be relatively affluent with small populations, particularly Moslem countries in north Africa and the Gulf. But even Pakistan, which for years made little attempt to curb high fertility rates, has recently begun to promote family planning programmes vigorously.

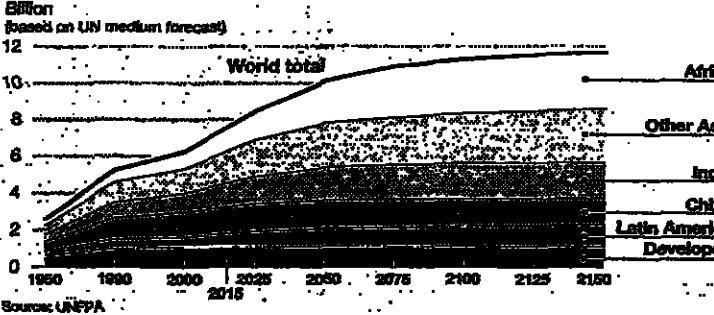
Despite the new agreement on goals, however, there is still wide disagreement about how to get there. Cairo delegates expect fierce debate

World population: more and more

Fertility and contraception availability



Population projections by region



on two fronts: the final wording of the UNFPA's policy guidelines on family planning; and its proposal that financial support for family planning should triple to \$17bn a year by the year 2000. The UNFPA wants at least a quarter of this funding to be supplied as international aid, the rest via national programmes.

In the countdown to Cairo, the noisiest criticism has centred on how the final text will view abortion. Dr Sadik, who calls the row a "red herring", believes the Vatican is using the issue of abortion to rally support for its opposition to any contraception. She points out the draft agenda

mentions abortion only as a threat to women's health: the UNFPA estimates 250,000 women a year die from badly-performed operations. The UNFPA is currently barred from promoting abortion or helping doctors perform the operation, even where a lack of medical skill endangers women's lives.

She says the conference "should accommodate the Vatican only as one state which speaks for 800 people, not for the 1bn Catholics of the world, most of whom are not behind their church on contraception". Behind that headline-grabbing row, however, many religious groups as

well as governments have begun to show a wider unease about the agenda's proposals for improving sex education for teenagers, and for more general education for women and girls. The Iranian Health Minister, Mr Ali Reza Marandi, has criticised the conference for "ignoring Islamic values" and promoting "sexual liberty". According to Dr Sadik, "in the preparatory committee meetings, every government wholeheartedly endorsed empowerment of women, outdoing even the language of women's groups. But now they are starting to recognise what it means".

As well as trying to settle such controversial points, governments will have to tackle the funding question. It will hardly be plain sailing. Some developing countries are wary of having to adopt western values to receive international aid. Others are concerned that some of the western contribution to total funding will be taken out of other aid budgets. According to Dr Sadik: "I will not count it as failure if we don't get it [the \$17bn], but I will be very disappointed".

But however stormy next week's debate becomes, it is population growth, not the Cairo agenda, which presents governments with difficult choices. On the one hand, if they tolerate present fertility rates, they face the threat of social disruption: strains on natural resources will increase and people leave the countryside in search of jobs in crowded cities. If they need a reminder of those threats, China provides a graphic example: even though the Beijing government has taken tough measures to bring down family size, a projection two weeks ago estimated half of its population would be living in cities by 2010, against less than a third today.

On the other hand, if governments promote easier access to contraception, they can expect big changes in women's social role. Those are, notably for conservative countries, uncomfortable options. But however many amendments are made to the Cairo agenda, demographers' arithmetic shows governments cannot expect their societies to stay the same.

John Authers on why the female of the species is top of the class in the UK

Girls just wanna be number one

North London Collegiate, the girls' school whose pupils this year scored better in GCSE exams than any other independent school's, was once proud of its cookery and needlework lessons. Not any more. Its old cookery room has been converted for craft, design and technology.

The move highlights a transformation in the aspirations and confidence of girls' schools. Not only are more girls studying traditional boys' subjects – they are beating them across the board. "Girls overtook boys at GCSE level (the main exams for 16-year-olds in England and Wales) a few years ago, and it would not surprise me if they've now overtaken at A-level as well," says Mrs Joan Clanchy, headmistress at North London Collegiate.

The figures support her claim. League tables, which rank schools by exam performance, have shown girls' schools persistently matching and even beating better resourced boys' schools.

Complete figures for the state sector's performance in this year's public exams will not be available until November. But yesterday's GCSE rankings for independent schools showed girls' schools occupying 18 of the top 20 places. At North London Collegiate, 81.5 per cent of all the GCSEs taken resulted in the top "A" or "A-star" grades.

Similarly, last week's A-level result league tables for independent schools showed sharp improvements by girls' schools – notably boarding schools. Malvern Girls' College rose to 13th, from an average over the past five years of 42nd, while Roedean improved to 27th from 96th.

League table rankings such as these are helping girls' schools beat off fresh competition for pupils from the many boys' schools that opened their doors to girls in the 1980s.

Mrs Ann Longley, headmistress of Roedean, said: "The facts show single-sex girls' schools are doing an excellent job. Girls would not choose to stay if they were not enjoying the single-sex environment and feeling fulfilled." Single-sex education is coming back into vogue and is even being reintroduced in some schools. From this autumn, for example, Shenfield High, a mixed school in Essex, is responding to parents' demands by teaching its boys and girls in separate classes. Other state schools are considering doing the same.

But this league table evidence may not be the vindication of single-sex education for girls it at first seems to be. Girls appear to be doing better whatever school they attend. Over the past decade, girls' examination results have improved far faster than boys' at all levels of education from the age of 16.

According to the Department for Education, in 1992, 45 per cent of girls passed five GCSEs at grade C or above (equivalent to a pass in the old O-level), while 38 per cent of boys reached the same standard. That suggests girls' schools may do best in league tables simply because they have more girls.

Indeed, the commission's decision to abolish the two-tier system and replace it with four districts will improve accountability, bring services closer to the people and enable the real needs of our local communities to be better met. On cost, the commission has indicated that the move to single tier councils in Cleveland will produce savings of between 5m and 11m a year, assuming services are maintained at their existing levels. Based on this calculation, reorganisation will pay for itself within three years. Peter Olsen, Clark Whitehill, chartered accountants, 40 Victoria Road, Hartlepool, Cleveland TS26 8DD

schools may do best in league tables simply because they have more girls. The disparity between the two sexes has been widening for the past decade. The introduction of GCSEs in 1988, with a greater emphasis on coursework than O-levels, may have benefited girls who, educationists agree, tend to be more disciplined in their study than boys at the age of 16.

Mr Vivian Anthony, secretary of the Headmasters' Conference, which represents the most prestigious boys and co-educational schools, says that at GCSE level boys "are much more likely than girls to decide they don't care".

A more profound reason for girls' growing success from 16 is that they have become more ambitious in the past two decades about careers. Government estimates suggest that 40.1 per cent of 16-year-old girls will attempt 'A' levels next year, against 33.6 per cent of boys. That represents a wider disparity than in 1992, when the respective figures were 31 per cent and 26 per cent; 10 years ago the equivalent figures were 22.3 per cent and 21.1 per cent.

More women are also going to university. Government figures this week showed women accounted for 49.5 per cent of higher education graduates last year, up from 43 per cent a decade ago.

Female graduates even tend to be more employable than men, with only 8.3 per cent of them unemployed by the end of their year of graduation, against 12.25 per cent of men. Mrs Gillian Shephard, education secretary, says the increase in the number of women in higher education has helped "ensure that the potential of over half the population is fully realised".

According to the Equal Opportunities Commission, the figures are indicative of how women's aspirations and expectations of themselves at last equal those of men. Mrs Clanchy, of North London Collegiate, believes girls lack the complacency of boys. Her experience is that boys with a GCSE in French will describe themselves as "fluent", while girls will say they have "a little French".

The rise of the female in Britain's schools has not, however, been uniform. Science and technology continue to be perceived as "male" areas. Women are outnumbered by five to one in university engineering and technology courses, and by four to one in mathematics degrees. Girls' schools, which used to reinforce gender stereotypes by teaching cooking, now see their role as challenging them by encouraging girls to take an interest in these "masculine preserves".

Mr Declan O'Neill, development director of Malvern Girls' College, says: "There was a time when there was a stereotyped image of girls' boarding schools as qualified finishing or art schools. I'm glad to say league tables have disproved that. Now parents are most interested if they think their daughter can do well in science."

The world chess champion lost to a computer, but man still has the upper hand, says Clive Cookson

Chips can't (yet) do everything

When a chip chopped a chess champ this week, commentators were quick to proclaim another victory for computers in their long struggle for mental superiority over the human brain.

By knocking Garry Kasparov, the world champion, out of the Intel Grand Prix in London, the Pentium micro-processor certainly shocked the chess world – and saddened some people who thought its triumph would remove the game's intellectual mystique.

Although computers have been beating good players for several years, few people expected their first serious victory at the highest level to come so soon.

"A lot of people thought there was a qualitative difference between most grandmasters and the elite handful of potential world champions," says Manny Rainer, formerly an international chess player and now an artificial intelligence specialist with SRI, the Cambridge research consultancy.

"I'm beginning to think now that there might not be such a gap after all."

But Kasparov's defeat will have less psychological impact on artificial intelligence research than on the world of chess. In computing's pioneering era in the 1950s and 1960s, researchers learned a lot of important programming techniques by teaching computers

to play chess. Things are very different today.

Chess computers have become a minor sideshow with little relevance to mainstream research. Scientists trying to mimic human intelligence in machines now prefer to work on problems related to the everyday world, such as translating between languages, enabling a robot to steer around obstacles or assessing the creditworthiness of bank customers.

For all its reputation as the queen of intellectual pursuits, chess is a self-contained small world with little scope for surprises – in other words, ideally suited to computing. The personal computer that beat Kasparov – containing Intel's latest Pentium processor and running a Genius 2 chess program – costs only \$2,000 but it can carry out 168m calculations and analyse 100,000 possible moves every second. And that is fast enough to out-think a human player.

"Kasparov has relied on his experience and his strategic thinking, and that's no longer enough," says Professor Bill O'Riordan, head of advanced research for ICL, the UK-based computer company. "It comes to all of us – he is just too slow."

"Watching the human being becoming more and more distraught, while the computer remained as impassive as ever, was strangely unsettling," says Andrew Finan, a tournament

official. "Kasparov is feeling very very sore – he has gone underground and is not giving any interviews."

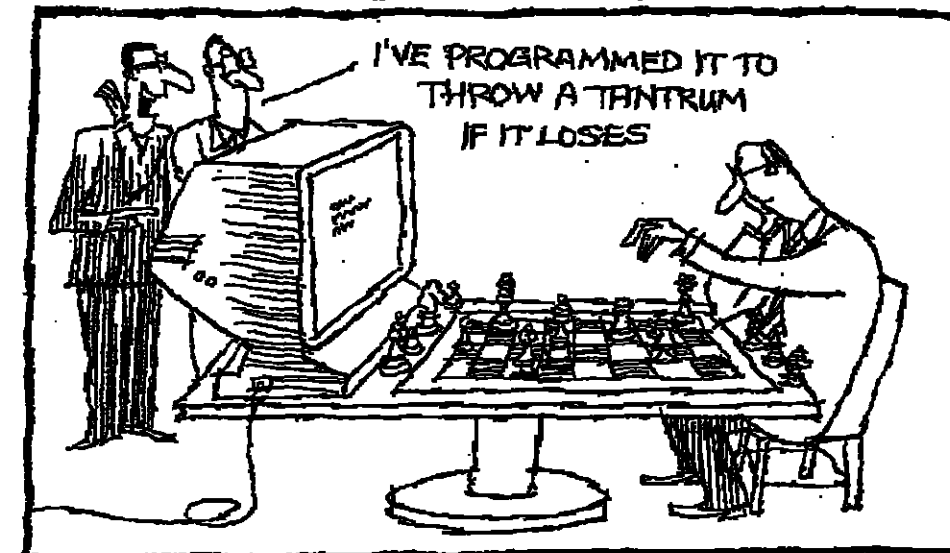
The Intel Grand Prix is admittedly "speed chess", each player has 25 minutes to make all his moves. Fast calculating is at less of a premium in a normal tournament, when 40 moves have to be completed every two hours.

However no one doubts that, with the processing power of silicon chips doubling every two years, cheap computers will soon be able to beat the best human players under those conditions too.

O'Riordan does not agree, however, that chess will be "thinkers' as a game. "On the contrary," he says, "once we realise that men will never again beat the machine, we should feel liberated and treat chess as a pure sport again."

In draughts (or checkers, as it is known in the US), the champions have also succumbed to the power of computers. But there are other intellectual games in which the human brain still reigns supreme. One is Go, which originated in east Asia 4,000 years ago, making it more than twice as old as chess.

The rules of Go are simpler than those of chess but it has a larger board and more poten-



tial moves at every stage. As a result, the balance between long-term strategic thinking, which is the forte of the human player, and short-term tactics, at which the computer excels, is tilted in favour of the former. Good Go players need not fear defeat by a computer for many years.

Chess and Go are "games of perfect information", nothing is hidden from the player. Computers are less successful at card games such as bridge, where the course of play is less predictable and psychological factors are more important.

"The best bridge computers today are not even up to good amateur standard," Rainer says.

"The kind of skills you need for chess are not very useful for anything else – developing

a good bridge program would be much more useful for good artificial intelligence research. "Bridge is a trickier game all round for the computer, because you have to reason about probabilities rather than certainties and you have to think about what your partner is thinking the whole time."

If machines are ever to become bridge champions, they may not be created by programmers dedicated to producing a bridge-playing equivalent of the Genius 2 chess computer. Instead, they may emerge from more general research into intelligent machines capable of learning human behaviour.

The most ambitious research of this sort is in progress at Massachusetts Institute of Technology's artificial intelligence laboratory. Scientists there are creating Cog, a humanoid robot which Daniel Dennett, one of the team, says will be able to "interact with human beings in a robust and

versatile manner in real time, take care of itself and tell its designers things about its condition that would otherwise be extremely difficult if not impossible to determine by examination."

If Cog can play bridge, this will be a by-product of its general learning skills, not its main reason d'être. And unlike today's chess computers, it will be physically capable of making its own moves. Cog will have eyes to see the cards, arms to play them, ears to hear the bidding and a voice to speak itself.

Although a primitive first-generation Cog exists, it will probably be several decades before the robot develops sufficient understanding and adaptability to play bridge with people.

By then the thought of a human chess champion playing a computer will seem as ridiculous as it would be today for a sprinter to race against a Formula 1 car.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Banish this elitist to Bermuda Triangle

From Mr Tony Wright

Sir, The blatant elitism portrayed by Michael Thompson-Noel ("The English coast and its holidays from hell", August 27) is a perfect illustration of the class prejudice which continues to inhibit economic growth in the UK.

His damning attack on English seaside resorts as "clapped-out and working class whose fate is to play host to the poorest and least sophisticated

of Britain's stay-at-home holidaymakers" is a slur on resorts and an insult to a vast sector of society.

Far from being a fate, a resort such as Great Yarmouth prides itself in providing a range of facilities, attractions, entertainments, heritage appeal and surrounding countryside enjoyed by 2.6m visitors each year. We all know there are changes in holiday patterns, but the more enlight-

ened resorts such as Great Yarmouth are responding to them and the seaside remains the core of domestic tourism.

Perhaps when Mr Thompson-Noel is exploring his "fave" Sarawak or sunning himself on a beach in Penang he will spare a thought for those poor unfortunate who cannot afford to join him and have to put up with their version of the Far East on the Norfolk coast.

As our local newspaper, the Eastern Daily Press, put it, incredulous at the tenor of the article, maybe next year dear Michael should try a sailing holiday in the Bermuda Triangle!

Tony Wright, chairman, economic development committee, Great Yarmouth Borough Council, Town Hall, Great Yarmouth, Norfolk NR30 2QF

An eccentric view of independent nation

From Mr Adrian P Hewitt

Sir, You have an intriguing way of announcing the news that Sir Julius Chan was voted in as prime minister of Papua New Guinea by the national parliament – "Australia puts faith in new PNG prime minister" (August 31). And might it not be worth reporting the views of the Papua New Guineans who have enjoyed independence for a generation?

Your report became even more eccentric in its first paragraph, locating PNG as "a

resource-rich nation adjoining Indonesia's Irian Jaya". Well, up to a point. Australia's world view (and its obsession with Indonesia) is interesting in its own right, but PNG – by far the largest South Pacific country – merits separate treatment, please.

Adrian P Hewitt, deputy director, Overseas Development Institute, Regent's Circle, Regent's Park, London NW1 4NS

Pendulum can swing it

From Mr Ian M Harris

Sir, May I offer a simple solution to the signalmen's dispute (and indeed to all such differences). Under pendulum arbitration, an arbitrator is appointed whose task is to find for one side or another, but not for one side or further compromise. It is incumbent therefore upon each side to put forward their most reasonable claim, and one which they

believe an independent third party will favour.

This has the effect of bringing both sides quite close to each other, and removing the issue of loss of face. I commend it to RMT and Railtrack. Ian M Harris, Bonas Machine Company, Dukessway, Team Valley Trading Estate, Gateshead NE11 0LF

Legislation is only course to ensure companies meet specified payment periods

From Mr S A Mendham

Sir, I read with disappointment your editorial on the subject of late payment of debt ("Venturing capital", August 31).

We all understand the reluctance to legislate but in order to achieve a level playing field legislation is sometimes the

only approach. The enforceability of contracts is the cornerstone of an efficient market economy. At present there is no effective redress against the customer who chooses to pay late, typically by 30 or 40 days. The sums outstanding are vast. We estimate them at £20bn equivalent to small business

overdraft borrowing. This has a significant impact on the economy and voluntary measures have not worked.

After all, it has to be remembered that David Trippier, the then small business minister in 1986, said: "If these voluntary measures do not help to improve the late payment of

the debt situation in this country, then we will not shy away from legislation". Eight years later we are being told the same thing by Michael Heseltine, the trade and industry secretary.

It has to be recognised that if legislation were introduced companies may initially extend

specified payment periods. However, in general this would merely reflect existing actual payment periods. It is better to know when you will be paid than leave it to the whim of recalcitrant customers.

Finally, the Forum of Private Business has been investigating this issue for 10 years. Our

claim is that the vast majority of business owners will not be aware of a statutory right to interest but payment periods will improve.

S A Mendham, chief executive, Forum of Private Business, Ruskin Chambers, Drury Lane, Knutsford, Cheshire WA16 6HA

COMPANY NEWS: UK

Shares fall 31p to 628p on caution over second half

Pearson rises 50% to £96.3m and plans sale

By Raymond Snoddy

The shares of Pearson, the media and entertainment group which owns the Financial Times, fell by 4.7 per cent yesterday, in spite of a 50 per cent increase in pre-tax profits from £46.3m to £69.5m for the six months to June 30.

The 31p drop to 628p, the worst percentage performance by a FTSE 100 company yesterday, reflected disappointing results from the book publishing division, a modest interim dividend increase and fears of increased pressure in the second half which will not benefit from special factors that boosted the first half.

Lord Blakenham, Pearson chairman, admitted that "progress will be harder during the rest of the year."

Pearson also formally marked the end of its transition from conglomerate to media company by saying it planned to sell its remaining 41 per cent stake in Camco International, the oil services company. The sale of 59 per cent of Camco at the end of last year raised nearly £230m (£142m).

Pearson's operating profit rose by 31 per cent to £67.6m

(£51.5m) on turnover down by 21 per cent to £548.8m (£544.4m). Earnings per share rose by 48 per cent to 9.2p (6.2p) and the interim dividend is up 7 per cent to 5.75p (5.375p).

Direct comparisons with the first half of 1993 are difficult to make because the intervening period has seen the demerger of Royal Doulton china, the sale of the Camco majority stake, and the receipt of £52m from British Sky Broadcasting in partial repayment of loans.

There was also a strong contribution from Thames Television with an operating profit of £10.4m - its first contribution to a Pearson first half year - and earnings from Ertel, the electronic information business.

Newspapers led the way in profit growth with a 66 per cent increase in operating profit to £36.8m. The Financial Times was up 91 per cent at £24.5m, although an associate company Les Echos faced a difficult market in France.

The book division came under pressure, particularly in the school and college market in the US and operating profit at Longman fell by 82 per cent from £6m to £1.1m. Despite

record deliveries of Penguin books, the division had an overall loss of £7m compared with a £1.7m profit in the 1993 first half. Most profits from book publishing are earned in the second half.

Profits from visitor attractions such as Tussauds Group more than doubled to £5.5m but attributable profit from investment banking fell from £16.4m to £13.7m mainly because of pressure on New York business.

Mr Frank Barlow, Pearson managing director, confirmed that the company would launch two channels of satellite television with the BBC in Europe early next year and was looking at other ventures with the Corporation. He also confirmed that talks to buy a 10 per cent stake in TVB, the Hong Kong broadcaster, had broken down on price some weeks ago. Lord Blakenham said organic growth and acquisitions would be supplemented by a series of alliances with other companies.

Mr Derek Terrington, media analyst at Kleinwort Benson, maintained his full-year pre-tax profits forecast at £235m. TVB stake sale, Page 9

Protests grow over Body Shop article

By Neil Buckley

A member of the advisory board of US magazine Business Ethics has resigned in protest over the magazine's decision to publish an article critical of Body Shop International, the UK-based "green" cosmetics group.

Mr Ben Cohen, co-founder of Ben and Jerry's, the socially responsible ice-cream maker previously described by Body Shop as "like a brother company", said he had warned the magazine he would resign if it went ahead with the story.

News of his resignation came as Body Shop issued a further rebuttal of the article's contents.

Mr Cohen called the article, by Mr Jon Kuttin, an investigative journalist, a "disgrace" which he said "represents a media outlet's failure to be able to do so."

Mr Kuttin, publisher and editor in chief of Business Ethics, said Mr Cohen had resigned before he read the article, after a conversation with Body Shop.

Thursday's article questioned Body Shop's treatment of franchisees, its third world trade and animal testing policies, and its product ingredients. Body Shop said yesterday it was still considering legal action over the story.

In a 12-page statement, Body Shop called the article a "poorly-researched piece... riddled with errors and grossly unfair to Body Shop and its franchisees."

The company defended its products, saying research had shown consumers considered these to be very high quality.

Body Shop said more than 95 per cent of its franchisees had written it an "extraordinary letter of support" after hearing the allegations. It added that of 22 sources named in the article, 10 were disgruntled former employees or franchisees, current competitors, or disappointed bidders for its business. Four more either denied they were unfairly used.

Mr Kelly stood by the story: "We spent months working with Jon [Kuttin] on this story and the facts are solid. He is an excellent reporter. His credentials are sterling."

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Fund management boosts Schroders

By John Gapper, Banking Editor

Schroders, the merchant bank, yesterday announced that it wanted to remain independent from securities brokers in the UK as it disclosed a 7.6 per cent rise in pre-tax profits for the 1994 first half to £102.2m.

Mr George Mallinckrodt, chairman, said there was no intention of buying a stake in a broker such as Cazenove & Co or Smith New Court in an effort to become an integrated investment bank similar to SG Warburg.

Mr Mallinckrodt spoke after rumours that Schroders might follow its acquisition of the remaining 49.5 per cent of its US subsidiary Wertheim Schroder with a UK acquisition helped drive up shares in the lead-up to its results.

Schroders did not believe it needed to distribute securities in the UK, and there was no pressure from its customers to be able to do so. "We are not doctrinaire about it, but we absolutely do not believe we need it now," he said.

Schroders announced a 50 per cent rise in its interim divi-

dend to 6p (4p) after earnings per share rose to 56.6p (55.1p). But Mr Mallinckrodt said this was partly to restore the interim to being about one third of the total.

"I am anxious to make it clear this does not mean there is another significant dividend increase in the pipeline next year," he said. Net asset value per share rose to 572p from 474p, and shares closed 25p down at 514.75p.

Earnings from fund management nearly doubled to £40.8m (£23.7m), while those from merchant and investment banking fell from £73.2m to £62.6m. The fall in the latter was mostly due to a drop in dealing income from £31.8m to £18.4m.

Expenses rose to £157.2m from £132.5m. Mr Mallinckrodt said this was mostly because it had taken on 300 extra staff, but partly because it had provided more in the first half this year against bonuses to be paid for the full year.

The fund management business gained from a strong inflow of new business, and funds under management grew from £52.9m to £56.1m despite a fall in market values. Corpo-



George Mallinckrodt: not interested in UK securities acquisition

rate finance activity also picked up through mergers and acquisitions.

Capital increased by £64m but £76m (£51m) will be absorbed by a goodwill write-off from the Wertheim acquisition. The write-off comprises a \$41m premium over book

value, and \$35m of goodwill carried in Wertheim Schroder's accounts. Mr Mallinckrodt said the price was "at the top end" but the overall purchase price including that for the original stake in Wertheim was advantageous.

Bus side fuels strong advance at Henlys

By Caroline Southey

Strong demand for buses helped pre-tax profits at Henlys, the motor trading and bus and coach manufacturing and distribution company, jump from £3.22m to £8.48m in the six months to June 30.

The result included a £1.9m profit from property sales. Turnover rose from £188.2m to £199.6m with the motor division contributing £158.8m (£154.5m) and the coach and bus side £39.7m (£33.7m).

"Trading conditions remain competitive but we are encouraged by the rate and strength of growth in the bus and coach division," Mr Robert Wood, chief executive, said.

A strong demand for buses helped push vehicle registrations up by 17 per cent in the period. Operating profits in the coach

and bus division rose from £438,000 to £518,000 contributing to a 69 per cent rise in total operating profits to £7.24m (£4.27m).

Mr Michael Doherty, chairman, said the order book for this division was at a record high and the company planned to increase production to meet demand. Badgerline recently announced a £22m order for 500 bus bodies.

He said manufacturing output had increased by a quarter in the first half. Flat turnover in the motor division was partly because of the company's reluctance to take on fleet business where margins were very slim, Mr Doherty said.

A fall in after-sales profits offset a slight increase in vehicle sales profits.

An interim dividend of 3.5p (1.5p) is payable on earnings per share of 14.5p (6.4p). The March rights issue raised £25.8m, leaving Henlys with net cash of £8.7m.

Last time there were borrowings of £23.9m representing gearing of 50.7 per cent. Interest charged fell from £1.33m to £753,000.

● COMMENT

A sound set of results led by the bus and coach division. Pent up replacement demand from the bus industry which continues to recover and the coach sector which is showing tentative signs of improvement should contribute to further growth. Although turnover in the motor division looks flat, the strategy to steer away from high volume low margin fleet business seems to be paying off. The company's desire to broaden its franchise base and reduce its high volume business through acquisitions makes good sense. The shares remain attractive with profit forecasts of £13.4m for the full year and a prospective p/e of 15.

Finance director quits Arjo

By Deborah Hargreaves

The announcement of the departure of Mr Tony Isaac, finance director of Arjo Wiggins Appleton, the Anglo-French paper company, sounded warning bells in the City yesterday causing the company's shares to lose 10p to 265p.

City analysts feared that a boardroom split of the sort that emerged a year ago between Mr Isaac and the predominantly French board of directors over dividend policy had precipitated the move. The

announcement comes just days before the release of Arjo's interim results next Thursday.

While there were some indications that Mr Isaac had not enjoyed an amicable relationship with Mr Alain Soulas, chief executive, the company denied any differences of opinion over the results.

"There is nothing to fear in the figures. I can say there are no nasty surprises at all," said Mr Bob Stenham, chairman.

Mr Isaac's departure for the position of finance director at BOC group, leaves Mr Stenham as the only British executive

director on the nine-member board.

In addition, Mr Isaac was well respected in the City and his departure will dent the company's credibility with investment analysts. His departure is the latest in a spate of executive resignations following that of Mr Gordon Bond, director in charge of the printing and writing divisions, last December.

Mr Stenham said the company had a reasonable balance of non-executive directors, but would be looking with interest for a successor to Mr Isaac.

NEWS DIGEST

Isotron static at £3.07m

Isotron, provider of sterilisation services to the healthcare industry, yesterday announced static pre-tax profits at £3.07m for the half year to June 30, compared with £3.11m. This followed a rise at half-way from £1.44m to £1.51m.

The profit included interest income down from £319,000 to £151,000 and was achieved from turnover 6 per cent higher at £7.75m (£7.3m). The fall in income was due to cash being invested in a new Irish plant and lower interest rates.

The operating profit, up 4.5 per cent at £2.52m (£2.37m), was after charging £111,000 of pre-operating costs at the Irish plant.

The dividend is raised by 10 per cent to 4.7p (4.34p) with a proposed final of 3.11p from earnings per share of 17p (17.3p).

Exceptional leaves Eclipse at £0.8m

Eclipse Blinds, formerly Ashley Group, announced pre-tax profits down from a restated £1.37m to £787,000 for the half year to June 30 on turnover from continuing operations of £18.4m against £18.2m in the previous year.

The result was after an exceptional £615,000 loss on disposal of the French operations.

Operating profits of the blinds division were £238m - a margin on sales of 11.9 per cent and 13.7 per cent excluding discontinued businesses. The plywood and timber side achieved £179,000 (£112,000).

The French disposal reduced net borrowings at the half year from £18.5m to £14.5m.

Mr Hamish Grossart, chairman, said trading in the current year was good.

Losses per share amounted to 0.16p (0.31p earnings).

Readymix ahead to £1.36m at midway

Readymix, the Irish building materials subsidiary of RMC, reported pre-tax profits up

Courtyard Leisure cuts loss to £0.3m

Courtyard Leisure, the USM-quoted wine bar and restaurant operator, reported reduced pre-tax losses of £296,386 for the year to end-March, against a deficit of £277,785 last time.

The outcome was struck on turnover down from £2.22m to £1.9m. Losses per share were reduced to 2.1p (5.4p).

There was a net loss on disposals amounting to £24,907 (£195,000) arising from the sale of the Benjamin Shillingford wine bar. A further £33,330 was written off fixed assets investments.

Net interest payable fell from £28,245 to £28,993.

UAPT extends time frame for bids

UAPT-Infolink, the credit reference company caught in a bidding war, has altered its articles of association so that offers for the company can proceed.

The group is being fought over by Equifax, the US credit reference company, which is now offering 650p a share against its

original offer of 500p, and Trans Union, Equifax's main US rival, which is offering 550p.

UAPT's board had recommended Trans Union's lower offer, which was to have closed on August 31, because Trans Union has no UK operations and so does not risk a referral to the Monopolies and Mergers Commission. Equifax already owns a credit information business in the UK.

However, UAPT's board has now rescinded its recommendation, effectively leaving the outcome of the bidding war to the OFT.

Fife Indmar edges ahead to £0.43m

Fife Indmar, the Edinburgh-based engineer, edged ahead

Torday & Carlisle incurs £0.55m deficit

Torday & Carlisle, the Newcastle-based engineer, reported a pre-tax deficit of £546,000 for the six months to end-June, reflecting the warning in the 1993 accounts of a poor start to the current year.

The pre-tax outcome compared with a profit of £17,000 in the corresponding period, although that included a £380,000 profit contribution from Eilab Hughes, the safety equipment arm which was sold in the fourth quarter of 1993.

Group turnover fell to £14.1m, against £17.2m - including £3.05m from discontinued operations. Losses per share came out at 3.4p (6.4p earnings).

Hanson has 51% of Scholes at first close

Hanson, the Anglo-US conglomerate, said that by the first closing date of its recommended £96.1m offer for Scholes Group, the electrical equipment maker, it had received valid acceptances in respect of 19.8m shares, representing 51.05 per cent of the ordinary capital.

The offer, including the loan note alternative, has been extended until September 15.

Scholes agreed on July 28 to Hanson's offer of 250p cash for every Scholes share, but on August 10 said it was open to higher offers, wanting "the best possible deal for shareholders".

GRT to take over SMT with agreed £11.2m bid

By Peggy Hollinger

The consolidation of the competitive bus industry continued yesterday with the announcement by GRT, one of the largest bus operators in the UK, of an agreed £11.2m offer for SMT of Scotland.

Mr Mor Lockhead, chairman of GRT, said the acquisition was expected to enhance earnings in the first full year. GRT, which came to the market in May, is paying about 74 per cent of the consideration in cash, the balance in new shares to value SMT at about £10m. It has also agreed to redeem some £1.15m in SMT

Acquisition puts Hobson £0.5m in the black

By Peggy Hollinger

A turnaround from pre-tax losses of £544,000 to profits of £530,000 for the half year to June was announced by Hobson, the toiletries and home-care products group which moved up to the main market in May. The group has changed its year end and the comparative figures are for the six months ended September 30.

The improvement follows the acquisition in May of the food manufacturing side of the Co-operative Wholesale Society.

Turnover jumped to £28.1m (£16.2m). Earnings were 0.23p (0.54p losses) and there is no dividend. The directors intend to recommend a final of 0.4p.

Fixed-term contract for Sorrell

By Peggy Hollinger

Mr Martin Sorrell, chief executive of WPP, the marketing services group, is moving from a five-year rolling contract to a fixed three-year contract, renewable annually.

Under his new contract Mr Sorrell will receive a basic annual salary of £1.15m (£750,000) together with annual pension contributions of £600,000.

In addition, Mr Sorrell will be entitled to a performance-related bonus and the right to participate in the WPP executive share option and performance plans, as well as other benefits such as healthcare and life assurance.

The performance-related bonus will be determined by reference to the company's performance relative to its targets which will provide up to 60 per cent of basic annual remuneration.

There is a further bonus of up to 40 per cent of basic salary payable by reference to the company's performance relative to its industry peer group.

The contract also includes a capital investment plan under which Mr Sorrell will invest \$5.2m (£3.2m) in WPP ordinary shares, which he will hold for a minimum of two years.

Sir Michael Richardson leaves Smith New Court

By John Gapper, Banking Editor

Sir Michael Richardson, who yesterday announced that he will retire as chairman of the broker firm Smith New Court, is not only a shaker in the City of London, but one of its rare movers.

Unlike most City financiers, Sir Michael has worked at the helm of both a broker firm and a merchant bank.

Sir Michael, 63, retains the energetic manner which earned him his reputation as the top corporate finance adviser to UK government privatisations while at NM Rothschild. He is far from retiring. Although remaining a vice-chairman of Rothschild, he insists he is now looking for work.

"If you are here at 8am every morning and stay until 6pm at night, you are bound to have a bit of a gap when you stop," he said yesterday. "I do not really feel terribly old, and I think I have still got an enormous amount of energy and experience. I hope something will come along."

Sir Michael is to retire from the end of the year, and will be succeeded as executive chairman by Mr Michael Marks, chief executive. Mr Paul Roy, head of the UK broking business, will be chief executive, and Mr Gavin Casey will step up from finance director to be chief operating officer.

Sir Michael's breadth of experience,

from his days as a partner in Cazenove & Co, the broker, to heading corporate finance at NM Rothschild, is unusual.

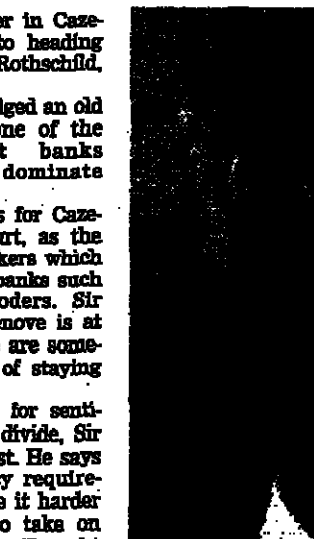
Furthermore, he had bridged an old divide without joining one of the integrated investment banks which increasingly dominate the City.

These are buoyant times for Cazenove and Smith New Court, as the two large independent brokers which can be used by merchant banks such as Rothschild and Schroders. Sir Michael argues that "Cazenove is at the top of the tree and we are somewhere up it" as a result of staying independent.

But despite his reasons for sentimental attachment to the divide, Sir Michael says it may not last. He says that new capital adequacy requirements in the EU will make it harder for independent brokers to take on large blocks of shares in "bought deals" before placing them with clients.

Furthermore, he argues that distribution capacity will become more important for merchant banks and "there will come a time when people do not want a bank just for the brilliance of its ideas". He says he cannot predict when the defining moment will come, although it will be within a decade.

Smith New Court is already linked to Rothschild through the 26 per cent stake the bank bought in the jobber Smith Brothers in 1985. Since then, it



Sir Michael Richardson: a rare mover who bridged an old divide

has grown corporate and retail broking in both UK and abroad to the point where UK market-making in equities accounts for only 20 per cent of profits.

Market-making is now under pressure, a report commissioned by the Office of Fair Trading having found that market-makers gain excessive commissions. Sir Michael defends the system as ensuring liquidity, saying that a continental European-style order-matching system would be

"madness" for London.

Yet Sir Michael, who retired earlier this year from the board of the London Stock Exchange, is not complacent about London's financial role.

He is among City figures who worry that developments such as the siting of the European Central Bank in Frankfurt could be portents of decline.

"The City has to be very careful about things such as the difficulties at Lloyd's [of London], the international-

isation of banking and commodities dealing, and the growth of small stock markets. It is not going to remain the financial centre of Europe unless it is constantly watchful," he says.

Sir Michael was one of a group of senior City figures such as Lord Alexander, chairman of National Westminster Bank, who have made way on the Stock Exchange board for figures such as Sir Michael's successor, Mr Marks. Sir Michael argues that the new group will need all the initiative it can muster.

"John Kemp-Welch [the new chairman of the exchange] could be marvellous, but he needs a group of pimply young executives like Michael Marks to provide new ideas," he says. Sir Michael has been a strong supporter of the exchange taking on a more European role to reinforce its primary position.

Kuok sells part of TVB holding for HK\$1bn

By Simon Holberton
in Hong Kong

Mr Robert Kuok, the Malaysian financier, has sold 7.5 per cent of Television Broadcasts, Hong Kong's premier television company, for more than HK\$1bn (US\$129.5m).

He placed 30m shares at HK\$33.50 each to investment institutions on Thursday - the day after TVB unveiled a 70 per cent rise in first-half net earnings to HK\$278m.

The sale has reduced Mr Kuok's stake in TVB to around 17 or 18 per cent. The shares, when they were acquired in 1989, cost Mr Kuok HK\$14.60, suggesting a gross profit on the transaction of around HK\$640m.

Analysts said Mr Kuok had been keen for some time to reduce his exposure to TVB. He did not take an active interest in the management of the company, but rather treated his 25 per cent interest as an investment, they said.

Mr Kuok had for several

months been in talks with Pearson, the UK media and banking group which owns the Financial Times, about the British group buying up to 10 per cent of TVB.

Pearson has, however, confirmed that it pulled out of the talks a few weeks ago on the grounds of price.

Analysts expect Mr Kuok to seek to reduce further his investment in TVB.

They note, however, that TVB's share price has performed well over the past months.

Last month Mr Kuok, who has made Hong Kong his home, reduced his stake in Shanghai Asia - his hotels group - to 58.8 per cent from 61.5 per cent. The placing of these shares realised HK\$378.2m.

The combined proceeds of the two placements leaves Mr Kuok with nearly HK\$1.7bn. The money could go toward his ambitious plans for residential property development in Hong Kong, and more investment ideas in China.

Profits at Goodman Fielder flat at A\$169m

By Nikk Tait
in Sydney

Goodman Fielder, the beleaguered Australian food company where dissident shareholders are pushing for boardroom changes, yesterday disclosed another 12 months of static profits. This was the fifth successive year it has shown minimal bottom-line progress.

Profits before tax and amortisation in the 12 months to the end of June rose marginally, to A\$168.5m (US\$125.5m) from A\$164.1m, while sales were A\$3.98bn, down from A\$4.71bn.

However, a A\$17.8m abnormal charge, against last time's A\$109.4m surplus, lowered operating profits after tax and amortisation down to A\$93.4m from A\$185m.

Basic earnings per share before amortisation items fell to 9.3 cents from 10.4 cents. After amortisation, they dropped from 16.1 cents to 8.1 cents.

The company insisted the results picture had been muddied by disposals and acquisitions. It said the increase in pre-tax profits based "only on current businesses and adjusted for timing" would have been 22 per cent.

It also blamed the stronger Australian dollar for depressing earnings from international operations in local currency terms.

Goodman said profits had picked up in its domestic baking and milling operations, while consumer foods had shown a strong improvement.

The poultry division, by contrast, made an "unsatisfactory contribution", and the ingredients arm was hit by falling gelatine prices.

Mr Barry Weir, chief executive, said a "significant earnings improvement" was budgeted for 1994-95, and "further significant gains" in the following year.

These would come from cost-reductions, baking industry rationalisation, some volume gains and the start of a turnaround in Goodman's Asian businesses.

Solid earnings growth at Roche

By Ian Rodger in Zurich

Roche, the Swiss health products group which recently acquired the Syntex pharmaceuticals company of the US for \$5.3bn, achieved first-half net income of SFr1.6bn (US\$1.2bn), on SFr7.3bn in sales.

It is the first time the group has reported interim profit figures, and no comparative data was given, except for a 2.4 per cent gain in sales.

However, it said earnings "continued to improve", thanks to a steady growth in the operating result and higher financial revenues.

Roche's financial managers again performed well, showing an increase in earnings on the group's SFr14.6bn liquid assets in spite of the upheavals in world securities markets. Net financial income was SFr508m, equivalent to 64 per cent of the amount earned

in the whole of last year.

Both of the group's Basle rivals, Ciba and Sandoz, suffered sharp reversals in their financial earnings in the first half.

Roche also outperformed its local rivals at the operating level: its SFr1.56m operating profit reflected a 21.3 per cent margin on sales. Sandoz's operating margin was 18.5 per cent, while Ciba's was 17.2 per cent.

Roche said sales growth in the second half would be slower than the recent trend. It blamed government pressures on prices of drugs and laboratory services and said profits would be lower than in the first half.

However, it forecast "a further significant rise" in net income for the full year, a more optimistic outlook than in mid-July, when it announced first-half sales.

Research focus provides the edge

Swiss drugs groups are pursuing diverse strategies, writes Ian Rodger

The increasingly divergent strategies of the three big Basle-based pharmaceuticals and chemicals groups - Ciba, Roche and Sandoz - have been tested severely in the trying circumstances of the first half of 1994.

For the moment, Roche, which has decided to focus on developing leading-edge drugs and diagnostic equipment, has emerged the clear winner.

Ciba and Sandoz, which have opted for more diversified business portfolios, have yet to prove the wisdom of that choice.

Roche's first-half net income of SFr1.6bn (US\$1.2bn) was not only the largest among the three, but it reflected the highest profit margin and probably the greatest growth.

Issuing an interim profit statement yesterday for the first time, the group gave no comparative figures. However, first-half net income was equivalent to 65 per cent of the result in the whole of last year.

Its operating profits have also grown strongly: the first-half result was equivalent to two-thirds of the full-year 1993 figure.

Roche has, therefore, again confounded many investors.

They believed the group was going to suffer as much as other international drug groups from the price squeeze being applied by governments throughout Europe and North America.

Investor scepticism peaked

the market as a whole".

And, in spite of the high costs and risks of its research-intensive strategy, it is convinced it can continue to develop winning drugs.

Its \$5.3bn acquisition of Syntex was motivated in large part

by the US drugs group's substantial R&D efforts in areas complementary to its own.

Ciba and Sandoz, on the other hand, are inclined to hedge their bets on the increasingly uncertain pharmaceuticals sector by nurturing other, more stable health-related businesses as well as their traditional cyclical industrial and agricultural chemicals businesses.

Their significant acquisitions in the past year have been in the health-related businesses. Sandoz has just completed its \$3.7bn takeover of the US Ger-

ber baby food group, and Ciba has made two large deals to boost its Ciba Vision eye-care side.

These businesses are performing respectably, but the cycloleaves have yet to respond in the way investors hope.

Roche has also shown up its rivals in the game of managing liquid funds.

Ciba's net financial income was down 30 per cent, Sandoz plunged from a SFr78m profit to a SFr90m loss. However, Roche's SFr508m net financial income was equivalent to 64 per cent of that earned in the whole of last year.

All three suffered from the sharp decline in market values of many investments held, especially bonds, in the first half, but only Roche offset those losses with higher returns on other investment and asset sales.

Roche is guarded about its investment strategies, but it is known to favour equities over bonds.

Mr Henri Meier, finance director, said earlier this year it invested only in Triple A securities. "We do take risks, trying to anticipate market moves, but we think our risk management is as good as anyone's," he said.

VW studies strategy for Portuguese joint venture

By John Griffiths

Volkswagen is to draw up a new business plan aimed at improving the viability of its \$2.8bn joint venture with Ford to build multi-purpose vehicles (MPVs) in Portugal, which goes on stream at the end of this year.

The German vehicle maker, Europe's largest, is concerned that increasing competition in the van-like MPV sector, and adverse currency movements since the deal was signed in 1991, may make the plant less profitable.

The factory is scheduled to make 190,000 MPVs a year in full production.

The greenfield project, at Setúbal, south of Lisbon, is the largest single foreign investment in Portugal. In full production, it is scheduled to employ 4,700 workers, and create indirectly up to another 10,000 jobs in the area.

VW stressed last night there was no danger of it seeking to withdraw from or scale down the venture. The project is receiving Eur750m (\$619.8m) of EC development and training subsidies, and the Portuguese government regards it as its flagship foreign investment project.

Ford of Europe, which is a 50 per cent partner with VW in the venture, last night described the Wolfsburg initiative as a "routine" financial reorganisation. It said Ford itself was not concerned about the project's viability.

VW's managing board has been asked to come up with the plan in time for the supervisory board's next meeting, in November.

The plant's vehicles will compete in one of the few sectors still enjoying rapid growth in Europe.

Sales of multi-purpose vehicles have risen by an average 80 per cent a year since 1988, and are projected to reach 700,000 units a year by the end of the decade.

However, every big vehicle maker in Europe is now planning to seek a share of this growth.

Healthy recovery at Belgian retailer

By David Gardner in Brussels

Delhaize "Le Lion", the big Belgian retail group, posted a BF1.7bn (\$2.4m) profit in the first half of this year, a 73 per cent rise on the same period of 1993. Turnover rose 10 per cent to BF179.5bn.

The half-year result compares with earnings for the whole of 1993 of BF1.1bn, against a BF6.3bn profit in 1992. The group said it expected a significant improvement for the whole of this year.

The Belgian supermarkets and stores saw sales rise 5.4 per cent to BF747.8bn from BF745.3bn. However, profits are only just beginning to recover from recession, sharp discounting in food prices, restructuring costs

and industrial disputes.

Delhaize's main interest abroad, the Food Lion supermarket chain in the US, turned in a 6.4 per cent increase in sales, to \$3.6bn, for the first half, with profits of \$68m.

This rise, of 25 per cent, is particularly satisfying to the Belgian group after a tough six months in which it weathered bad publicity in the US over alleged hygiene shortfalls, fierce competition, and a dispute with the US Department of Labor over overtime work and safety conditions for employees.

Sales and profits also showed modest increases at the Belgian group's stores in Greece, the Czech Republic, and at the northern French PG Group in which it acquired a 74 per cent stake last May.

FINANCIAL TIMES MAGAZINE

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar fades

The dollar wilted on the foreign exchanges yesterday after the US treasury market responded negatively to US employment data, writes Philip Gosh.

Although the market's initial response was positive, it soon changed its mind and the dollar followed Treasury bonds lower, slipping three pence from a high for the day of DM1.5440 to DM1.5400. Against the yen, it fell from a high of ¥100.3 to a low later of ¥99.05.

The D-Mark's firmness against the dollar helped it to end sharply higher against various European currencies. A late afternoon flurry saw it finish at 1.1009 against the lira from 1.1002.

Sterling also suffered at the hands of the firmer D-Mark, losing nearly three pence from its high for the day to close in London at DM2.4101. The sterling trade weighted index closed at 78.8, down from

a high of 79.4 earlier in the day.

At first glance, the payroll figures looked to be supportive for the dollar. The 179,000 increase was well below the 234,000 consensus forecast, and this should have supported US bonds, and hence the dollar.

The market, however, chose to focus on the strong manufacturing data, where jobs, hours worked and overtime were all seen as indicating wage pressure.

The dollar's woes were later exacerbated by the Columbia University inflation index - said to be closely watched by Fed chairman, Mr. Alan Greenspan - rising to 111.4 in August, from 109.5 in July.

Dollar

DM per \$

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Sterling

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French franc

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DM per £

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WORLD STOCK MARKETS

AMERICA

US stocks recede after brief upturn

Wall Street

After a brief upturn, most US stocks receded yesterday morning amid conflicting interpretations of August employment data which seemed favourable at first glance, writes Frank McCarthy in New York.

By 1 pm, the Dow Jones Industrial Average was 1.62 lower at 4,549.82, while the more broadly based Standard & Poor's 500 was down 0.75 at 472.42.

In the secondary markets, the American SE composite was up 0.50 at 454.92, and the Nasdaq composite managed to add 0.44 to 753.30.

The approach of the long Labor Day weekend held volume on the Big Board to a light 137m shares by early

afternoon. The thin trading conditions were partly responsible for the market's unsure response to the day's economic news. The headline figure was clearly positive for equities.

The Labor Department reported that non-farm payrolls had increased by 179,000, much less than analysts had anticipated. The slow growth reinforced the view that monetary policy was on hold at least until November. As a result, stocks made solid progress in the early going.

But the tide quickly turned as a cynical bond market focused on elements of the reports which suggested growing constraints on manufacturing capacity, which could lead to inflation.

A weaker dollar was no help, either. Soon bonds reversed

their early gains and slipped into negative territory.

Equity investors needed no further excuse to lock in profits after the market's recent surge.

Blue chip were showing shallow losses by early afternoon, though the broader market was mixed.

On the Big Board, declining issues were leading advances by 955 to 827.

The technology sector attempted to regroup after a broad-based pull-back during the previous session. The hard-hat issues managed to improve marginally. AST Research, which had triggered the sell-off with a profits warning, closed 1/4 ahead at \$12.24.

Compaq Computer regained 3/4 to \$55.40 after dropping sharply on Thursday amid

fears that it was reducing orders from its suppliers.

In semiconductors, Applied Materials bounced back on the Nasdaq, gaining 1/4 to \$49.74.

However, most software concerns floundered. Microsoft receded 3/4 further to \$56.50 and Intel slipped another 3/4 to \$53.75.

Northern dropped a further 1/4 to \$22.75. The downturn followed a decision by MCI to withdraw from talks aimed at restructuring a plan to develop a national wireless communications network with the company and Motorola.

Fingerhut extended its recent losses, too. The mail order company, listed on the NYSE, fell 1/4 to \$24.44 after a profits warning wiped 10 per cent off its share valuation.

Canada

Toronto was flat at midday after starting the morning stronger on the unexpectedly shallow rise in US August payrolls. The TSE-300 composite index edged down 2.27 to 4,942.07 in 34.8m shares.

Of 14 sub-indices, eight fell. Financial services turned sour after taking early hope from the employment data.

Targa Forest Products rose 3/4 to \$31.14 after Gerjaya Group said it was offering C\$18.50 a share, which valued the timber group at C\$500m.

Cott continued its recovery, adding 3/4 to \$21.88 after a US broker said that, at its sharply depressed levels, the group was a tempting takeover target.

Conflicting influences move French equities

David Buchan explains the recent volatility in Paris

Interest rates have given the Paris Bourse two nasty jolts this week, as well as raising some doubts about the pace of the unbridled recovery that is taking place in the French economy.

The first jolt came on Tuesday, when French commercial banks, anxious to restore profitability sapped by fairly weak demand for credit as well as by continued property loan provisions, raised their base lending rate by a quarter of one per cent to 7.50. Since May it had been at 7.00 per cent, the lowest for two decades.

The sharper jolt came two days later, with the French Treasury selling a new tranche of 10 year bonds (OATs) at 7.92 per cent, compared to 7.23 per cent only a month earlier. This led to a 1.65 per cent fall in the Bourse's CAC 40 index which closed on Thursday at 2,034.91; yesterday, eventually, it fell further to 2,020.37.

In deciding between bonds and shares, "most market operators compare the yield of OATs with the cash flow yield of companies", says Mr Monique Cohen, equity director at Paribas, and by this measure she says the Paris bourse is now overvalued by as much as 20 per cent. The significant correction of around 10 per cent in French shares in the second quarter of this year has been balanced by the fact that long-term rates are again heading upwards.

All eyes, therefore, are on the first-half results which French companies are now beginning to report. "We are at the stage of seeing whether companies really did perform this year as the bourse anticipated they would in the first half", says Mr Guillaume Beau, head of equity services at Credit Lyonnais.

The first signs have not been particularly promising, with such blue chip companies like Elf-Aquitaine, the oil group, and Danone, the food group, turning in first half decreases in net profits of 10 and 7.8 per cent respectively. But barring any further big disappointments that could cause a collapse in the market, Mr Cohen expects to see the CAC 40 index recover modestly

to end this year at around the 2,100 level.

It would be perverse for the stock market to continue to fall if the general economy continues to rise. Unshaken by the latest interest rate rises, Mr Edmond Alphandery, the economy minister, confirmed this week that the government had revised its 1994 growth estimate up from 1.4 to 2 per cent in real terms, in line with international forecasts.

In itself, this is not going to give a boost to the bourse which, as Mr Beau points out, built its anticipations of recovery into share prices last year. Nor does Prime Minister Edouard Balladur seem to set to give the economy the sort of fiscal stimulus that one might

steadily rising turnover and of continued destocking, the bank says.

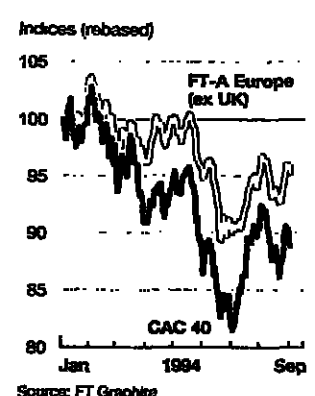
However, market analysts remain choosy. In very general terms, Mr Beau says that industrial stocks are to be preferred over financial institutions, many of which are still catching up on the bad loan provisions they should have made earlier. Among industrial shares, he shares with Mr Cohen a preference "at this stage in the recovery" for makers of capital equipment and heavy industrial goods, in which French manufacturers are expected to increase their investment.

These preferences also include the car sector. Yesterday's announcement by Renault that it had more than doubled its first-half pre-tax profits to FF1.7bn clearly puts the vehicle group in pole position, at the start of its race to be privatised this autumn ahead of the AGF insurance group that had been scheduled to be sold first.

Some observers, however, feel that a contributory reason for this year's bourse decline is that, recently, too much paper has been put on the market and that this, in turn, could hamper autumn privatisations. The level of new issues and capital increases in the first eight months of this year was FF1.7bn, compared to FF2.7bn in the whole of 1993.

On the other hand, officials at the Paris bourse see this as reflecting the intrinsic health of their market, where average daily volume this year has been FF4.64bn compared to FF3.82bn last year.

Several measures, meanwhile, have now been taken to ensure that most French shares are henceforth traded in Paris. Following the abolition of the bourse tax for non-residents, and the placing of a FF4,000 ceiling on that tax for residents, Paris is to provide instant quotes for trades in blocks of FF1m shares or more in its 53 most international stocks from September 19. This, the bourse hopes, will repatriate most block trades in French shares from London.



Source: FT Graphique

EUROPE

Zurich defies afternoon bourse downtrend

Apart from an unusually detached Zurich, bourses mostly backtracked yesterday on the lower dollar and a retreat from an early rally in US treasuries, after dealers reassessed what appeared to be a smaller than expected rise in US payrolls, writes Our Money Staff.

ZURICH concentrated on domestic corporate developments and rallied 1.7 per cent. The SMI index rose 43.6 to close near its best level of the day at 2,672.0, a rise of 3.5 per cent on the week.

Roche certificates rose SF190, or 3.1 per cent, to SF1,270 in reply to its better than expected first-half results - the first time it has presented six month figures. Analysts commented that stock now looked as if it was heading back towards SF1,500 after its spell in the doldrums.

The mood spilled over to the other pharmaceutical stocks, pulling Sandoz SF11 higher to SF1,684. Ciba added SF7 to SF1,398 in spite of downgrades from Swiss Volksbank and CS Investment Research after its flat first half figures earlier in the week.

UBS was supported by Thursday's news of improved trading income in July and August, adding SF27, or 2.3

FT-SE Actuaries Share Indices

Sep 2		Open		10.30		11.00		12.00		13.00		14.00		15.00		Close	
FT-SE 100	1401.28	1401.28	1401.28	1401.28	1401.28	1401.28	1401.28	1401.28	1401.28	1401.28	1401.28	1401.28	1401.28	1401.28	1401.28	1401.28	1401.28
FT-SE 250	1458.50	1458.50	1458.50	1458.50	1458.50	1458.50	1458.50	1458.50	1458.50	1458.50	1458.50	1458.50	1458.50	1458.50	1458.50	1458.50	1458.50

per cent, to SF1,199. CS Holding rose SF6 to SF1,567.

Nestlé closed SF25 higher at SF1,237 on heavy foreign buying.

PARIS closed more than 2 per cent below its best, and 2 per cent down on the week as French investors became preoccupied again with interest rates. The CAC 40 index ended 14.54 lower at 2,020.37 after a day's high of 2,054.35.

The market's earlier strength had a lot to do with provisional sales data from the French car industry, showing an 18.9 per cent increase on a year ago and a 14.7 per cent rise in the first eight months. Even after falling in line with the market in the afternoon, Peugeot rose FF7 to FF1,684 on the day and the tyre maker, Michelin, by 20 centimes to FF238.50.

The best rise of the day came from La Rochette, the paper and pulp group which climbed

earlier this week on the back of strong first-half figures from Daimler-Benz. BMW fell DM7 to DM189 and Daimler itself by DM2.50 to DM183.50.

MILAN hosted another a quiet session, unmoved by political developments and still waiting for action on the budget, and the Comit index dipped 0.98 at 855.03, leaving it little changed on the week.

Montedison was an exception, losing 1.35, or 2.5 per cent, to 11.378 on news that the company had valued its shares at 11.208 for the purposes of an exchange of shares that will play a part in the fusion of Finanziaria Agroindustriale back into Montedison.

Olivetti, under heavy pressure in recent sessions, bounced 1.28 higher to 12.143 after news that it would cut the prices of its personal computers by 12 per cent over the next few months, following price cuts by rivals.

Among the banks, BCI lost 1.8 to 13.622 amid continuing arbitrage business between the ordinary share and the rights to its capital call.

AMSTREDAAM was encouraged by the lower than expected US non-farm payroll data, and the AEX index finished 3.03 higher at 419.14, after peaking at 420.77 in the immediate aftermath of the figures.

The index fell 0.4 per cent on the week.

VNU was the day's highlight for the second successive session after Wednesday's better than expected first half figures. The share peaked at a new intraday high of F1203.00 before settling back to close F1230 higher at F1198.20.

MADRID took its loss on the week to 2.1 per cent as the general index closed 3.17 lower at 305.85.

DUBLIN continued to celebrate the Irish Republican Army's laying down of its arms, the ISEQ overall index closing 17.29 higher at 1,932.79, 3.6 per cent higher on the week, on the possibilities that the peace dividend might offer. Equities rose in spite of a slight decline in Irish gilts.

Written and edited by William Cochrane and Michael Morgan

SOUTH AFRICA

Gold led Johannesburg higher in spite of a late dip in the bullion price, the sector index rising 71, or 3 percent to 2,402 on speculative buying ahead of any easing in foreign exchange controls. Industrials rose 39 to 5,586 and the overall index by 47 to 5,916.

ASIA PACIFIC

Profit-taking trims rises after strong week

Tokyo

Corporate profit-taking ahead of this month's interim book closing supported volume and the Nikkei 225 average, caught between buying and selling, finally closed almost flat, writes Emiko Terazono in Tokyo.

The index rose 10.90 to 20,653.83 after moving within a narrow band between 20,615.52 and 20,675.54. Dealers supported telecom shares, while domestic institutions bought stocks. However, arbitrage-linked selling and profit-taking eroded most of the gains.

Volume totalled 553m shares against 341m. The Toxip index of all first section stocks inched up 1.23 to 1,641.14, and the Nikkei 300 by 0.15 to 2,957. Advances led declines by 514 to 440 with 216 advances, 150 declines, the TOPIX index 50 index rose 2.10 to 1,340.46.

Nippon Steel, the most active issue of the day, added Y4 to Y855, a new high for the year, and NKK gained Y2 to Y294. Kawasaki Steel, however, fell Y4 to Y480.

Contractors were sought by

overseas investors. Obayashi gained Y10 to Y758 and Shimizu Y4 to Y1,100.

Telecom stocks were higher on purchases by dealers. NTT gained Y10,000 to Y830,000 and NCC Y40 to Y1,250. DDI, on the second section, fell Y2,000 to Y98,000 on foreign selling.

Suzuki Motor rose Y20 to Y1,260 on reports that the company will supply Fuji Heavy Industries with vehicles manufactured in Europe.

Nippon Shoji, the drug wholesaler and manufacturer, ended unchanged at Y1,440 in spite of the government's suspension of its production facilities for 106 days starting Monday.

Mr John Wilson, pharmaceutical analyst at James Capel, said the suspension was damaging to the company's earnings, and the stock, on a P/E ratio of 24, had still risen 1.5 per cent.

In Osaka, the OSE average rose 22.32 to 22,899.37 in volume of 65.9m shares.

Roundup

Profit-taking also affected

most of the region after firm

performances during the week.

KUALA LUMPUR was mixed

on profit-taking after a strong week as investors shrugged off the detention in Thailand of Ahsari Muhammad, leader of the banned Islamic group Al Arqam. Prices fell sharply a week ago on rumours of Ahsari's return to his native Malaysia. The composite index rose 4.54 to 1,160.88, for a 4.4 per cent rise on the week.

Ekran, the builder, soaring 13.50 or 12.4 per cent to 109.20 after winning Securities Commission approval for a bonus issue.

BANGKOK closed higher on buying of blue chips, led by communications and banks, in spite of occasional profit-taking during the day. The SET index closed 13.22 higher at 1,539.06, up 6.1 per cent on the week, in heavy turnover of almost 800m.

Cathay Finance, making its debut at 18.50, compared with its offer price of 18.50, but down from the 18.90 at which it had traded in the grey market.

WELLINGTON remained at a five month high, helped by a buoyant forestry sector, and the NZSE-40 capital index ended 11.78 up at 2,187.75 in volume of NZ\$67.2m.

TAIPEI reversed early losses to close slightly above the 7,000-point resistance level as plastics regained strength to lead the market after consolidation. The weighted index closed up 36.49 to 7,010.63, for a 1.9 per cent rise the week. Turnover shrank to T\$88.59bn from Thursday's T\$99.61bn.

SEOUL closed lower in moderate trading following three straight days of advance, although some primary blue chips continued their rally. The composite index lost 4.71 to 944.52, for a 0.7 per cent fall on the week.

HONG KONG finished slightly higher after a day of slow trade as investors were sidelined ahead of the weekend and key US non-farm payroll data.

The Hang Seng index rose 10.68 to 9,566, for a 5.3 per cent rise on the week.

SINGAPORE finished mixed with the Straits Times Industrials index losing 6.22 to 2,330.61, for a 1.6 per cent rise on the week. Cycle & Carriage lost 30 cents to \$81.90 after an announcement denying rumours it was in discussions to buy a prime commercial building.

LONDON EQUITIES

LIFE EQUITY OPTIONS

Option	Call	Put	Option	Call	Put
Admiral	500 30	500 30	Admiral	500 30	500 30
Admiral	500 30	500 30	Admiral	500 30	500 30
Admiral	500 30	500 30	Admiral	500 30	500 30
Admiral	500 30	500 30	Admiral	500 30	500 30

LIFE EQUITY OPTIONS

Option	Call	Put	Option	Call	Put
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Admiral	500 30	500 30	Admiral	500 30	500 30
Admiral	500 30	500 30	Admiral	500 30	500 30
Admiral	500 30	500 30	Admiral	500 30	500 30

LIFE EQUITY OPTIONS

Option	Call	Put	Option	Call	Put
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Admiral	500 30	500 30	Admiral	500 30	500 30
Admiral	500 30	500 30	Admiral	500 30	500 30
Admiral	500 30	500 30	Admiral	500 30	500 30

LIFE EQUITY OPTIONS

Option	Call	Put	Option	Call	Put
Admiral	500 30	500 30	Admiral	500 30	500 30
Admiral	500 30	500 30	Admiral	500 30	500 30
Admiral	500 30	500 30	Admiral	500 30	500 30
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Admiral	500 30	500 30	Admiral	500 30	500 30
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Admiral	500 30	500 30	Admiral	500 30	500 30
Admiral	500 30	500 30	Admiral	500 30	500 30
Admiral	500 30	500 30	Admiral	500 30	500 30
Admiral	500 30	500 30	Admiral	500 30	500 30

LONDON EQUITIES

RISES AND FALLS

On Friday	On the week
Rises	Falls
British Funds	0 62 8 124 117 39
Other Fixed Interest	0 0 15 11 10 38
Mixed Collection	86 56 29 250 280 380
General Manufacturing	155 106 364 545 468 1,563
Consumer Goods	46 31 110 187 148 415
Services	86 327 355 326 1,330
Utilities	19 28 5 57 36 36
Financials	72 95 201 341 366 767
Investment Trusts	80 68 319 375 376 1,168
Others	24 60 25 192 143 116
Totals	544 588 1,473 2,442 2,219 5,783

Data based on three companies listed on the London Stock Exchange.

TRADITIONAL OPTIONS

First Dealings	August 22	Expiry	September 24
Last Dealings	September 5	Settlement	December 8
Call: Chiroscience, Corp Service, Dares Est, Gardiner Grp, Marine & Merc, Medeva, NPC, Real Time, Rolls-Royce, Shalton (Marine), Sunlight, Tadpole Tech, Tuskair, Puts: Rolls-Royce, Puts & Calls: HSBG, Puts Foods, Tadpole Tech, Tarmac.			

LONDON RECENT ISSUES: EQUITIES

Issue	Amount	Latest price	1994	1993	1992	1991	1990	1989	1988	1987	198
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Weekend FT

SECTION II

Weekend September 3/September 4 1994

Motion pictures are 100 years old next year but they are not ageing well. This summer's releases - *The Flintstones*, *Maverick*, *Beverly Hills Cop 3*, *Robocop 3* - suggest that Hollywood, for 80 years the undisputed headquarters of the movies, is sinking ever deeper into a second childhood.

In 1913, Cecil B DeMille chose a one-horse suburb of Los Angeles for his western *The Squaw Man*. Since then, Hollywood has grown to reflect the dreams and aspirations of America, and to shape the popular culture of the west.

But what is becoming of it now? Judging by this year's alarming and widely castigated movies, it is turning into a sort of box-office Babel. Hollywood on the brink of the new millennium is a place where movies are overpriced and overhyped, competing only for financial return rather than critical acclaim or even word-of-mouth commendation.

Of course the Hollywood culture has always been tied to box office success. But in the past the integrated studios, with their own stars, producers and writers were at least striving to make great movies. The decline of the studios, under the assault of middlemen acting for big name producers and stars is throwing up quite different products, such as *The Flintstones* and *Maverick* (both out of 1950s TV), *True Lies* (out of James Bond via *Last Action Hero*) and sequels of sequels such as *Robocop 3* and *Beverly Hills Cop 3*. Such movies use mass publicity to project tired and derivative ideas as ephemeral "hits".

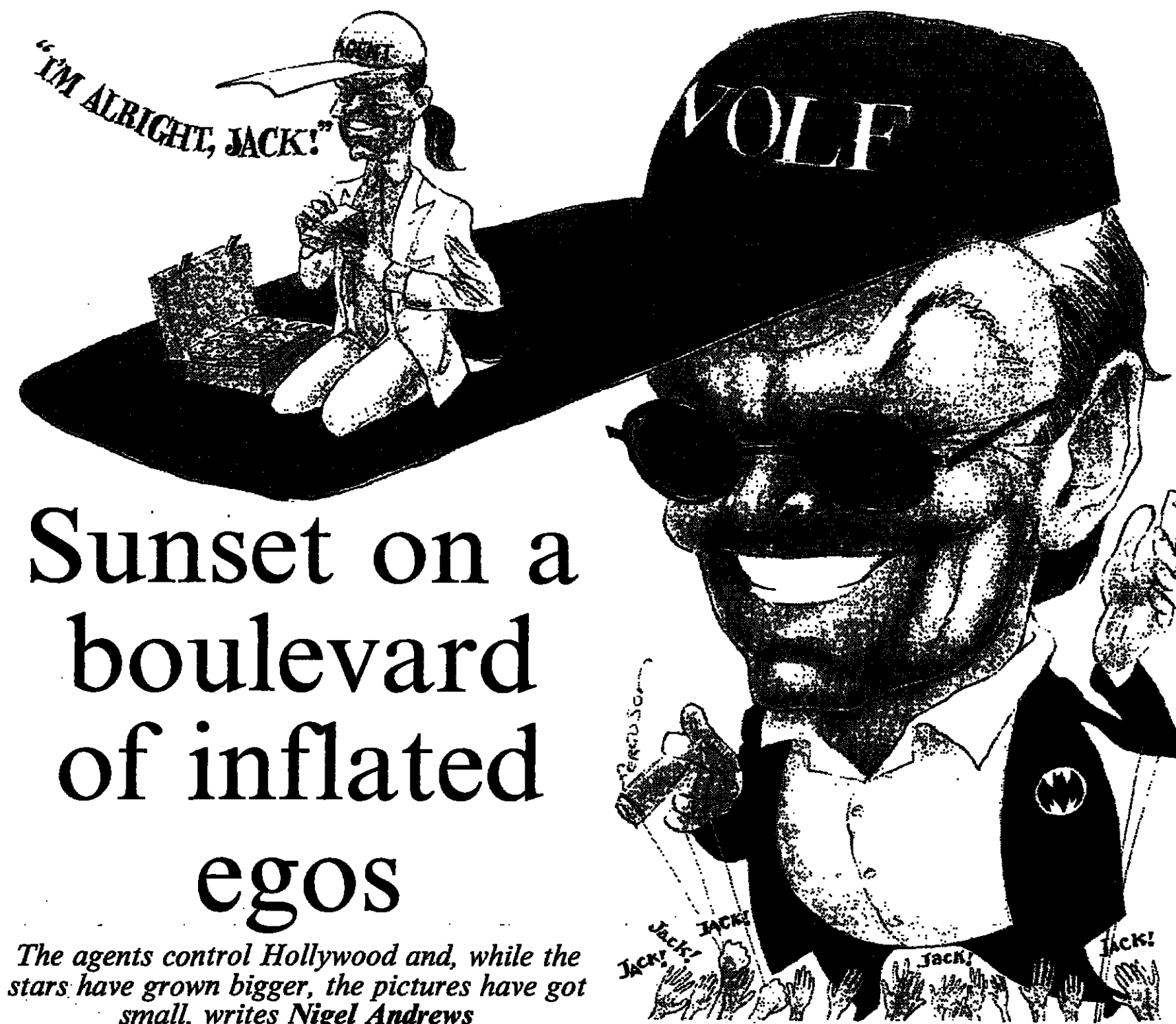
The fees (including shares of profit) paid to stars and producers have become so huge that studios can no longer afford the great and original screenwriters, such as F. Scott Fitzgerald, who once worked for them. So they do not generate the stream of well-crafted stories on which to base their productions.

Many commentators, including me, believe that the western film industry is dying by inches and that we know who is responsible. Hollywood today is a kingdom under enemy rule. We mean it is ruled by the agents and publicists who have staged a spectacular coup against the reign of the studios.

The rise of the agents began in 1945 when the talent impresario Jules Stein, president of Music Corporation of America, bought the client list of the famous agent, Leland Hayward. It was an extraordinary inventory of talent, including Astaire, Carbo, Gene Kelly, James Stewart and Katharine Hepburn. Stein began at once to create from this list a new instrument which would gradually break the contractual hold of the studios over the stars.

By 1949, MCA was putting pressure on the head of Warner Bros to release Bette Davis from a contract that still had several years to run. And one year later Stein secured an historic, unheard-of profit-share deal for another studio escapee, James Stewart, for the Western, *Winchester 73*.

The studios, which for a generation had thrived by controlling costs and nurturing their own talent under tight contracts, began to crumble in the face of this onslaught. And when MCA itself broke up in 1962 - disbanded by Stein as the Justice Department began growing about its stranglehold on the industry - the stage was set for the three replacement companies we know today, CAA (Creative Artists Agency), ICM (International Creative Man-



Sunset on a boulevard of inflated egos

The agents control Hollywood and, while the stars have grown bigger, the pictures have got small, writes Nigel Andrews

agement) and a new William Morris Agency took over the talent-handling business and, many people believe, now run the entire film industry. And in recent years they have enabled stars with inflated fees to shape the industry's output.

This is good for the talent, or at least for their bank balances. But bad for audiences. To understand why, let us see how this new-look industry operates. Broadly: for every Jack Nicholson or Julia Roberts or Francis Coppola, there is a Joe Blow or Jane Blow, an agent or publicist, to act as bellows-blower to the myth. Their job is to tell the outside world that "Mr Nicholson's price for his next movie is \$12m plus 2 per cent of the gross" or "Mr Coppola will do

The Tonight Show but not *Oprah Winfrey* or (if you are a journalist) "Miss Roberts has never heard of you, go away."

As the studios declined, these doorknockers to the stars became stars themselves. In the old-style studio, most employees had some hands-on relationship with the stuff coming off the line: the movies. Veteran VIPs will describe the interconnectedness of every studio activity. Publicity, marketing, negotiating for roles, even schooling - for infant stars such as Elizabeth Taylor or Margaret O'Brien - took place inside those walls. And however despotic the seven-year contract may have seemed, it allowed the studios to plan a stream of well thought out movies tailored to the available talent.

Today, as the veteran, Billy Wilder says,

the studios are "like the Ramada Inn. You check in, you check out." The people running studios now change rapidly, whereas the agencies have an awesome consistency of top personnel - and of personality too, handed down from men such as the CAA boss, Michael Ovitz, obsessed with Oriental disciplines and near-religious team spirit.

The studios are like British soccer clubs. They reel from one whizz-kid manager to the next. And when a new whizz kid comes in, where does he turn for ready-made ideas and projects to jumpstart his production schedule? Why, to the agents. And what is the agent's main interest? To get more money for his client.

Hand in hand with these agents, and symbiotic with them in the modern Holly-

wood are the more recently arrived publicists. Agents (mostly men) find a project for one of their stars and try to package him or her with other clients for the same film. (The most famous - or infamous - example was *Legal Eagles*, concocted by an agency as a vehicle for Robert Redford, Debra Winger and director Ivan Reitman. It bombed at the box office, costing Paramount \$35m and earning a small fortune in commissions for CAA.) Publicists (mostly women) ensure that their star, director or prodigy gets on the right chat shows and magazine covers.

This double act performs the old one-two that used to be achieved seamlessly by the studios. Get the celebrity in the movie project; then get the celebrity in the public eye.

The doyenne of present-day publicists, Pat Kingsley of PMK, went into history as the first to ask a magazine editor: "Why do you always get to choose the cover?"

While the publicists wheedle or coquette or menace, the agents flex ever more alarming muscle. Sometimes they just sit around forcing up clients' fees, until studios, like opera-houses, must risk near-bankruptcy in order to get the crowd-pleasing talent.

Sometimes agents put the fear of God into clients who might desert to another firm. And sometimes they graduate to brokering super-colossal deals as Ovitz himself did in the case of the Sony-Columbia and Universal-Matsushita mergers.

But Hollywood's new rulers could not have assumed such power without help from the pre-existing power of the artist-megastar. If the break-up of the studios created the opening for these "personal" minders and advisers, it also made Hollywood a place where artists' egos now float like dirigibles far above the old studios, while the strings are held by the career adjutants down on the ground.

These adjutants cannot, many critics suspect, sniff the air as the best bygone studio bosses did, nor see the further horizons of cinema and popular culture. They feel only the immediate crunch of career opportunity.

Jeff Berg, head of ICM, has heard the bad press before and answers it for me in his penthouse office on Beverly Boulevard. No, he claims: he and his fellow agents are not taking over. "We have no interest in assuming the role of the studios. We are not distributors or financiers or producers."

Yet do they not have great power over what is produced? An agent might tell a studio, for example, Look, you can have Macaulay Culkin for *Home Alone VIII*; but only if you take two of our other stars plus one of our directors and a screenwriter for the same project. Berg says only that: "We are a mechanising process between the gatekeepers of the studios and the world at large."

At this point the telephone rings and Berg picks it up. "Hi, Terry." It is Terry Semel, not so much a gatekeeper at Warner, more President of Motion Pictures. Inspired by this example of spontaneous synergy I walk round to Warner to catch Semel or his fellow supremo at the studio, Robert Daly.

Daly is sitting in a large room with a fish tank and a small army of minders. He has an empire to run; and if studios are crumbling, then top-of-the-box-office Warner will be the last one to go. Are agents more powerful today? "Yes, of course. When Bette Davis was under a contract with us, her agent would come in and scream and kick and Jack Warner would say, 'Goodbye!'"

Daly chooses an unfortunate example. After 1949 it was Bette Davis who said the goodbyes.

But I take the point - and also Daly's observation on modern times. "Today, if you want Julia Roberts for a new movie you have to woo her agent." And do deals. "They can demand a lot of rights. Most of the time they are asking for more money."

And that money, 90 per cent of which floats up from the agent to the artist, is part of the fine madness guiding modern movie practice. \$12-\$15m per picture plus profit-points is now the going rate for a top male star - a Tom Cruise, Mel Gibson, Bruce Willis or Arnold Schwarzenegger -

Continued on Page VIII

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Natural rose: a bizarre crown for the woman who can 'just be herself'

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The Long View / Barry Riley

The profits of boom



Most British investors grew effortlessly richer during their holidays. Events in August confirmed the broadening strength of the international economy, with the US and the UK growing at 3% to 4 per cent and even troubled Germany staging a convincing rebound. Stock markets have gained in confidence.

Clearly, though, short-term interest rates are on the turn. During August, key rates rose in the US, Italy and Sweden while French commercial lending rates edged up this week, too. The British authorities may yet come to regret their failure to raise UK rates at the beginning of last month.

At this stage of the cycle, stock markets are, classically, subjected to a particular kind of two-way pull. Strong growth in profits and dividends is dragging them up, while rising interest rates are pulling them down. This particular cycle has been distorted by last winter's bond market crash, but I pointed out two months ago that UK share prices had drifted back into a buying range. It is not yet clear whether the main UK indices will get back to their January/February highs, as Wall Street very nearly has; but the next market peak will be determined by the point at which bullishness over corporate prospects begins to be overwhelmed by concern over rising short-term interest rates.

Daily headlines tell us of the surge in corporate confidence on both sides of the Atlantic. Big deals are back in fashion, and mega-mergers are seen once again as a triumph of vision in the executive suite rather than a symptom of dangerous empire-building.

This week's purchase of Sterling Health by SmithKline Beecham for \$2.9bn was presented as a triumphant strategic move by SB. Perhaps it should rather be seen as a welcome move by Kodak, the seller, to extricate itself from the disastrous consequences of its own ill-judged expansion in the 1990s.

We can simply note that macho corporate buyers are, once again, beginning to out-bid the stock market when it comes to putting a price on companies.

Certainly, there is nothing like a healthy stream of profits to add a gleam to a chief executive's eye. In the UK, earnings per share - on the basis of the constituents of the All-Share index - have risen by 22 per cent over the past year, and dividends by 7% per cent. Investors appear to expect that growth rates will be nearly as good over the next year, too (perhaps still faster, for dividends).

Curiously, big companies have outperformed the rest. The top 100, the Footsie index constituents, have raised earnings per share by 27 per cent in 12 months, and dividends by 9.7 per cent. Small companies, which were supposed to have greater recovery potential after the recession, have increased their earnings by only 13 per cent over the same period (I have calculated this from the SmallCap index, excluding investment trusts). Their dividends have not yet gone up at all, on balance.

Perhaps the big companies have benefited more from restructuring, and perhaps the recovery is taking longer to percolate down to the smaller company sector. It had better do so soon: the tiddlers are valued more highly by investors because of their assumed higher growth.

These 20 per cent growth rates in company earnings contrast strongly with the muted and stable 3% per cent growth in personal incomes. There has been a marked shift in the balance of power between capital and labour. The important question now is whether this is just a temporary cyclical effect.

Already, company trading profits have moved above 15 per cent of national income (against only 12 per cent in 1992) and, on present trends, the proportion will reach an exceptional 17 per cent in 1995 (against previous peaks of just under 15 per cent in 1980 and 1985).

History tells us, however, that profit

booms tend to finish in inflationary surges as companies bid up the prices of labour, property and raw materials. This week's purchasing managers' survey showed, sure enough, that manufacturers' costs are rising - but this has yet to show in a significant acceleration of output prices.

Judged by past cycles, pay rates will now begin to rise sharply. But unemployment still remains relatively high at 9.3 per cent of the labour force. It is worth thinking about the theory of long cycles; according to this, at the start of a new long-term upturn (in a cycle which may run for 50 or 60 years), big new industrial growth sectors can generate high rates of return on capital for extended periods.

Western countries have been through a phase of widespread recession and industrial rationalisation. Now, though, new industrial processes based on information technology are bringing about radical improvements in productivity. The result could be a protracted corporate boom at the same time as the labour markets remain relatively subdued (except for certain categories of skilled workers). It sounds like a capitalist's improbable *Shangri-La* - but, certainly, the present upturn is strikingly less inflationary so far than any seen in the UK in the past 25 years.

Whatever the mysterious message of the long cycle, however, attention now switches to short-term interest rates. After the Bundesbank council meeting on Thursday, and the evidence of a quite vigorous German economic recovery, led by exports, the question is whether we have now reached the bottom, even for D-Mark rates. With the recession clearly over, the Bundesbank must now focus on getting the German money supply back under control.

As for the UK, there is a let's-get-it-over-with mood as the market looks for 5% per cent sterling rates soon, with the implied hope that the move might release tensions as effectively as the jump to 4% per cent in the US last month. But then, London has had the unearned benefit of that already. And we can't go on holiday again.

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MARKETS

London

Tiny, constant point in an uncertain time

Andrew Bolger

In an uncertain world, there is something almost reassuring about the ability of Tiny Rowland to hang on to his position as chief executive of Lorrho.

An attempt by fellow joint chief executive Dieter Bock to strip the 76-year-old Rowland of his executive duties at the mining and trading group founded when non-executive directors refused to back the German pretender. The £5.5m a year package which Rowland costs Lorrho - including the £2m spent on running the group's Gulfstream private jet - will be scrutinised by the remuneration committee set up by Bock, but Tiny lives to fight another day.

The FT-SE 100 did not prove quite so resilient as the redoubtable Rowland, but still managed to hang on to some of the gains made in the previous week's surge through the 3,200 barrier. Profit-taking and renewed concern about interest rates helped the index shed 34.8 points on Thursday, but

the market steadied yesterday to close the week at 3,222.7, down 42.4 on the week.

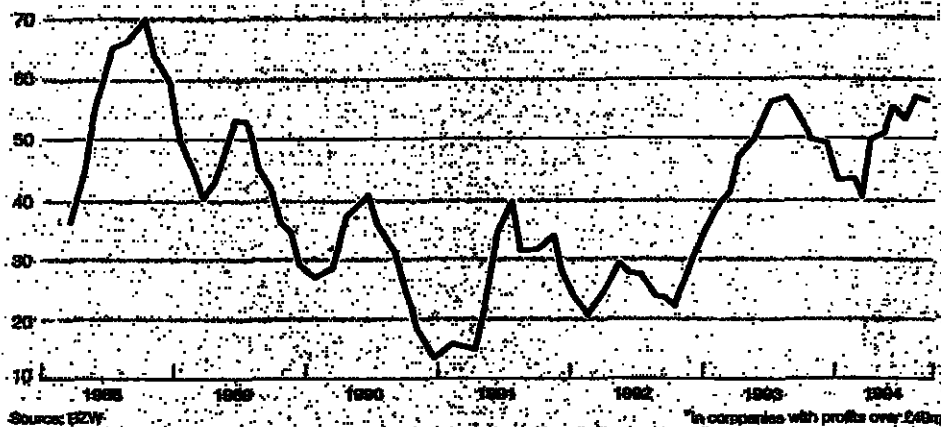
In spite of some twitchiness about the timing of the next increase in interest rates, the City continues to be pleased by the strength of the recovery in corporate performance. The chart shows that, of the changes made by analysts to their profit forecasts for individual companies, the proportion which are upgrades rather than downgrades remains comfortably above 50 per cent.

The market's performance is all the more impressive, given that the start of the heavy reporting season of interim results included some disappointments. Rolls-Royce, the aero engine and industrial power group, increased profits by 29 per cent, thanks mainly to the effects of cost-cutting and restructuring. But the group said it did not expect to see any improvement in its markets until 1996.

Shares in Reckitt & Colman, the household products and toiletries group, fell after the

Analysts' upgrades

As a percentage of forecast changes



Source: ICF

company warned that tough competitive and economic conditions persisted and were unlikely to improve in the second half.

However, this gloom did not extend across the whole market and second-line stocks proved more buoyant. On Tuesday, when profit-takers knocked more than 15 points off the FT-SE 100, the FT-SE Mid 250 Index - which includes both the top 100 companies and the next 150 by market capitalisation - actually gained nearly 7 points.

Share prices of householders rose sharply after companies reported that new house sales had recovered last month after a poor June and July. Persimmon, the UK's eighth-biggest housebuilder, said it had sold 250 homes in August, 25 per cent more than August last year.

Market sentiment was also

bolstered by news of two large takeover deals, which have important implications on both sides of the Atlantic.

The proposed £1.88bn purchase by SmithKline Beecham of Sterling Health from Eastman Kodak of the US will create the world's biggest consumer drugs business. Pharmaceutical stocks rose as the market pondered the wave of mergers and takeovers which have been transforming the healthcare market. The industry is consolidating in response to pressure from customers - employers who pay health insurance premiums in the US and governments elsewhere - to cut healthcare costs.

The deal doubles the size of SmithKline Beecham's over-the-counter operations and makes it the world's biggest maker of OTC medicines, out-selling Johnson & Johnson of the US. The combined group would have OTC sales of about \$2.5bn.

The pharmaceuticals companies are also keen to sell former prescription-only medicines over the counter because it allows them to extend the product-life of their drugs. This has become increasingly important for the drugs groups because patents on half of the 50 top-selling US medicines will expire in the next four years.

Defence is another global industry which must consolidate in the face of rapidly falling spending by governments. The process took a huge step forward when Lockheed and Martin Marietta, two of the top three US defence contractors, unveiled plans for a \$2.4bn merger.

European defence companies

are acutely aware of the need for consolidation, but the process faces much greater political barriers. However, Vickers this week emphasised that it was on the look-out for international partnerships. Having recently won a follow-on order from the UK government for 259 Challenger 2 tanks, the group said its £1.5m defence order book made it a much stronger and more attractive partner when considering collaborative projects.

The logic of international consolidation can extend to the most unlikely of industries. Service Corporation International, North America's largest funeral group, last month successfully bid £113m for Great Southern Group, the UK funeral company. It waited until the market had closed yesterday to reveal that it has now won control of Plantsbrook, another UK-quoted funeral company, with a recommended offer worth £153m.

The France-based SCI gained control of Plantsbrook by purchasing the 46.3 per cent stake in the UK company owned by Pommepuy Frères, France's largest funeral business. SCI said it was anxious to avoid Plantsbrook falling into the hands of Loewen, the Canadian funeral group which had been interested in acquiring Great Southern.

Given that SCI has now acquired the only two quoted UK funeral companies, scope for further consolidation is clearly limited. Yet the hope that trends in the healthcare and defence industries will lead to further big takeovers will continue to help market sentiment as traders await the inevitable increase in interest rates.

Serious Money

Keep your eye on the managers, too

Gillian O'Connor, personal finance editor

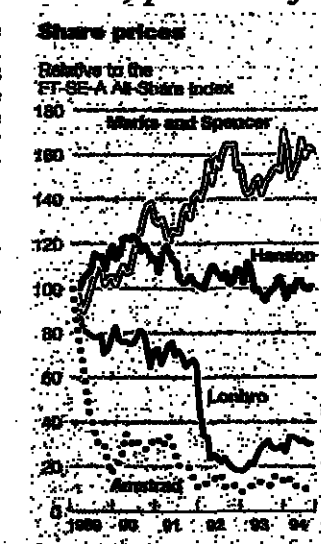
Hundreds of private shareholders will have cheered as Tiny Rowland once again showed his Houdini-like capacity for survival. Dieter Bock, his fellow chief executive at Lorrho, had planned to strip Rowland of his executive powers in the wake of revelations that he costs Lorrho more than £5.5m a year. But Rowland shrugged off the attack, as he has shrugged off so many in his 33 years at Lorrho's helm.

It is more than 20 years since the early chapters in the Lorrho saga spawned the epithet "the unacceptable face of capitalism". The shares have never been a favourite with professional fund managers since, but many private investors have stuck with their maverick hero through thick and thin. Sadly, their loyalty has not been rewarded. Apart from a couple of brief flickers in the mid-1970s and late-1980s, Lorrho shares have been a remarkably poor investment.

Is Lorrho a typical example of what happens when investors back an entrepreneurial company run by a single dominant figure?

Many serious investors prefer to invest in companies which are run by their founders, or by managers who act like owners. Warren Buffett, an outstandingly successful American investor, often takes long-term minority stakes in sound, family-run businesses and likes all managers to have a significant share stake in the companies they manage. His typically homely analogy is with a restaurant where the proprietors can honestly say "We eat our own cooking". And his favourite investment is in the local furniture store run by its founder, Mrs Rose Blumkin.

But it is just as simplistic to conclude that owner-run businesses make better investments than those run by professional managers as the reverse. There are good and



Source: Orielinvest

bad companies in both categories. What really matters to the outside investor is not the status of the company or its managers/owners but their attitude.

Take a few other examples. Fallen favourite Amstrad had a brilliant start. It gave its high street customers what they wanted at unbeatable prices: its computers worked and were cheap, smart and easy to use. But the real problem was that Amstrad boss Alan Sugar showed very little interest in the well-being of his outside shareholders. He sold a large part of his own holding before the share price collapsed - and offered to buy out the outside shareholders when the price was on the floor.

Now take Hanson, one of the few founder-run companies which has stayed the course. Its shares consistently beat the index until the mid-1980s. Since then, though, it has moved broadly in line with the market and it has been a relatively unexciting investment for the past decade. The fund managers are already launching funds concentrating on AIM shares. Just keep your eyes wide open.

and Spencer. Over the past 20 years, M&S shares have done slightly better than the stock market. It is a fascinating example of a company run by professional managers who behave as if they were owners, in the best sense.

The message for investors is that weighing up their managers can be as important as crunching the balance sheet numbers.

□ □ □

Maverick directors and cowboy companies can appear on any market. But they tend to cluster thickest on fringe markets - the Over the Counter Market, the Unlisted Securities Market (in its early days) and the Third Market: all had their clutch of black sheep.

This does not mean that all private investors should avoid the new Alternative Investment Market (AIM) planned to replace the USM. It does mean that they should approach it with extreme caution and keep a padlock on their wallet until they can see the whites of the managers' eyes.

The new stock exchange boss, Michael Lawrence, pointed out months ago that "while companies want cheaper access to equity capital, investors want a similar level of protection to that now provided. These are incompatible requirements". AIM gives the companies cheap access to equity capital with the minimum of red tape. And, already, some bystanders are warning that it could be more dangerous than the OTC.

But the intelligent investor who understands the risks might enjoy spicing up his portfolio with a few carefully researched AIM shares. It appears probable that they will have tax advantages. And fund managers are already launching funds concentrating on AIM shares. Just keep your eyes wide open.

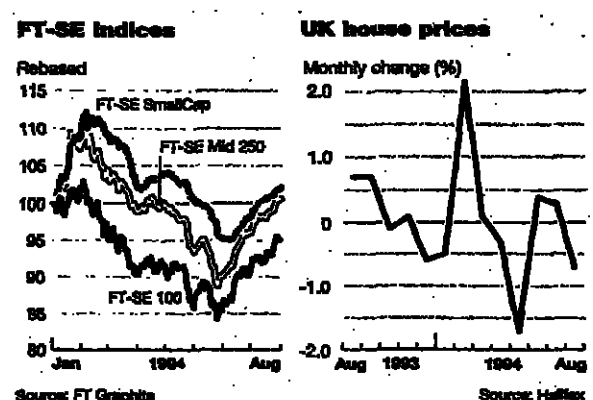
HIGHLIGHTS OF THE WEEK

	Price	Change	1994	1994	
	y/day	on week	High	Low	
FT-SE 100 Index	3222.7	-42.4	3520.3	2876.8	Inflation concerns
FT-SE Mid 250 Index	3781.3	-25.7	4152.8	3363.4	Profit-taking
Abbey National	420	+22	523	381	Increases fixed mortgage rates
Argyll Group	292	-23	315	222.4	Profit-taking
Barratt Dev	209	+18	292	180	Optimism over Sept 21 figures
Body Shop Int	230.4	+12.4	284	205	Company issues robust defence
British Aerospace	513	+23	584	390	Merger prospects with GEC
Costs Wyella	220	-20.4	287	200	Brokers' 'take profits' advice
Eastern Elect	795	-68	886	588	Profit-taking
Reckitt & Colman	616	-29	723	551	Disappointment over figures
Rolls-Royce	180.4	-22	204	161	Downgrades after results
Royal Bk Scotland	434	+28	528	377.4	CL Laid 'buy' note
Securicor A	1034	+50	1069	785	BT may buy Cellnet stake
TSB	227.4	+9.4	291	197	Hoare Govett 'buy' note
Vickers	167	-10	204	165	US sales of Rolls still weak

AT A GLANCE

Finance and the Family Index

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Betting on your children/The Professionals... V
The UK tax haven?/Knight Williams/New launches... VI
Medical insurance/High rates table/Annuities/Briefcase... VII



Footsie lags as London markets rise

All sections of the London market have performed strongly over the past quarter, but the FT-SE 100 Index, which includes the largest companies, is trailing its smaller rivals.

When the US Federal Reserve raised its key interest rates in February the first UK equity sector to fall was the FT-SE 100 as institutions, whose principal equity holdings are in the main index, sold heavily.

The gap between the Footsie and the smaller indices widened while the gap between the second and third-line indices (the mid 250 and the small cap) only grew towards the end of the sell-off. In the past quarter all sectors have recovered sharply.

House price indices diverge

The two largest building societies, Halifax and Nationwide, once again disagreed on the direction of house prices for August. Nationwide found that prices rose by 0.6 per cent while Halifax, which has a larger sample and publishes seasonally-adjusted figures, found they fell 0.7 per cent. It was the first fall since May, according to the society.

Nationwide said the recovery in market activity, which appeared to be strengthening early in the year, was "marginal," although underlying transaction levels appeared to have stabilised. Halifax said underlying house prices were flat, a trend which would not change until consumer confidence improves.

Tied or untied?

Life insurance advice is still driven by commission and can be "wholly inappropriate" according to the Consumer's Association. Its monthly publication, *Which?*, sent researchers to 30 financial advisers. Some were independent, some tied - only able to recommend the products of one company - and others were based at banks or building societies. "Too many advisers recommended commission-generating products at the expense of appropriate advice. IFAs were no better than tied agents," concluded *Which?*

Smaller company shares improve

Smaller company share prices continued to improve this week. The Hoare Govett Smaller Companies Index (capital gains version) climbed 0.4 per cent to 1715.16 over the week to September 1. The index is up 1.4 per cent since the start of the year, while the FT-SE-A All-Share is down 4.2 per cent over the same period, and the FT-SE 100 is down 5.9 per cent.

Next week...

Divorce: If you believe your spouse has hidden assets, you can pay a forensic accountant to track them down. But is it worth the cost?

Wall Street

The arbs return, with defence in their sights

There is one type of inflation that Wall Street knows and loves. It works like this. You seek out a company in an industry that has been the subject of some big takeovers recently - a list currently dominated by defence, healthcare and entertainment. Then you pump up its share price for all you are worth: spreading rumours to the effect that the company in question is up for sale is usually a particularly effective way of doing it.

The rumour and a jump in the share price is often enough to put a company "in play," flushing out potential buyers. The trick is then to sit tight and wait for the company to get taken over at a premium - or to sell out before the rumours prove untrue and stock prices set in again.

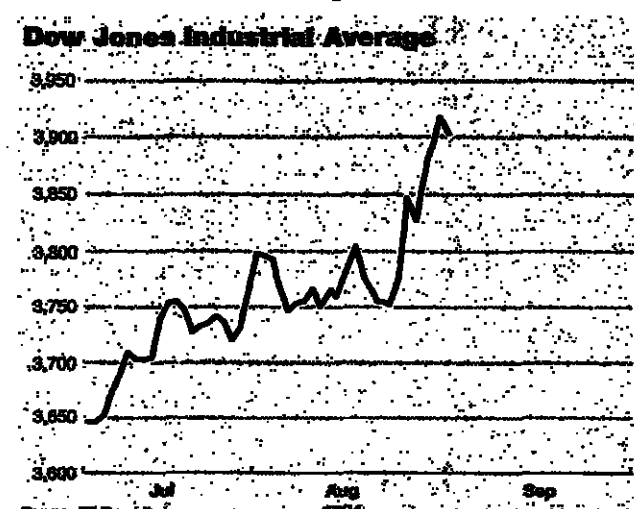
The "arbs" (an abbreviation of arbitrageurs) who specialise in trading takeover stocks are out in force again. Not since the end of the 1980s has short-term speculative stock trading reached such levels. And there is plenty of activity to keep these traders busy.

This week there was an

agreement to merge two of the US's biggest defence contractors, Lockheed and Martin Marietta, and a planned \$2.5bn purchase by Anglo-US drugs group SmithKline Beecham of Kodak's over-the-counter drugs operations.

These are hectic times in the takeover business. Other proposed deals that surfaced last week, such as a \$1.3bn takeover by General Signal of Bellanca Electric, a \$600m purchase of Zenith, a maker of generic (non-branded) drugs, by Ixax and an improved, \$950m bid by buy-out firm Fortsum Little for the money-transfer business Western Union, hardly made the front pages.

It is clear where the arbs are looking to turn their next quick dollar. Top of the list is CBS, one of the big three television networks. CBS became a plaything of the stock traders two months ago, when it first announced a plan (later dropped) to merge with Barry Diller's home shopping network, QVC. Renewed takeover rumours last week, this time of an interest by Disney (and a possible takeover of another network, NBC) pushed CBS's



Source: FT Graphs

shares higher still, to \$33.34 by midday yesterday, nearly a third up on its level before the QVC announcement.

In the healthcare sector, which has seen \$300m-worth of deals in the past 12 months, two stocks stood out on the arbs' list, Warner-Lambert, a company with a strong over-the-counter drugs business to match its prescription pharmaceuticals side, gained further

rose to \$24.41 at one point during the week, up from less than \$20 at the start of August.

The defence industry, meanwhile, had its own flurry on news of the Lockheed/Martin Marietta deal. Other contractors will need to merge in the face of a shrinking US defence budget, ran the argument.

Though some of this speculation will no doubt be rewarded, much will end in tears. As Nextel, a wireless communications company, moved last week, even agreed to a takeover, its shares sometimes do not come off: its shares plunged 26 per cent from their level a week before, to \$23.75, as talks with MCI and Motorola were called off. Punting on takeover stocks remains a game for the risk-hungry and the wealthy.

While busy inflating takeover stocks, Wall Street also kept a wary eye on the other type of inflation. The Federal Reserve's move to raise interest rates on August 16 was meant to be the final twist to the rate spiral for several months, dampening the risk of inflation and putting a new bounce in the stock market. That, at least, was

how the market saw it then: but the yield on long-dated bonds, the clearest sign of inflation fears, has edged back up, rising further yesterday to brush up against 7.5 per cent. The difference between short and long-term rates has also edged higher, another sign of inflation fears.

Employment data for August, released yesterday, failed to ease the concerns of the skeptics. The number of jobs created during the month was less than expected: that is good news for markets, since it means wage pressure is less than it might be. However, the average work week edged up, suggesting more hiring and a growing shortage of skilled labour in future. The stock market at first took heart at the figures, then reversed course. Yet at 3,896 at midday, the Dow Jones Industrial Average remained around 15 points ahead on the week.

Richard Waters

Monday	3898.25	+17.50
Tuesday	3917.30	+18.45
Wednesday	3913.42	-38.88
Thursday	3901.44	-11.98
Friday		

The Bottom Line

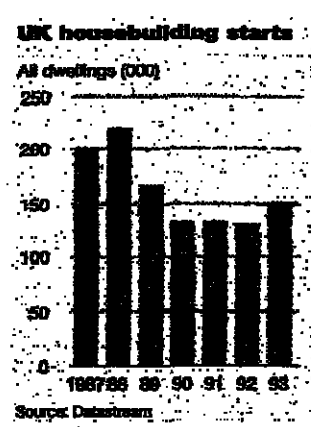
Building for a confusing future

move, anyway, while prices remain so sluggish.

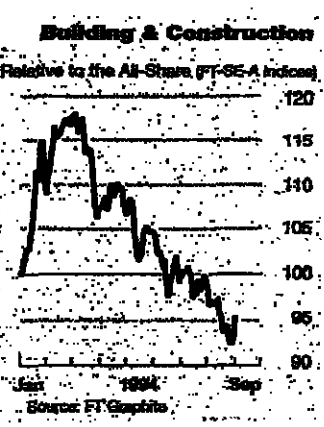
Housebuilders' profits are likely to rise sharply over the next 18 months as they use up the expensive land they bought late in the 1980s and early 1990s, and as sales incentives are reduced. But the much slower recovery in the general housing market has restricted sales of building materials for repair, maintenance and do-it-yourself work. In the past three years there has been a general improvement in house sales.

Half-year figures this week from construction and building material companies confirmed this broad picture. It was emphasised by house price statistics from the Halifax and Nationwide building societies which showed that prices are still struggling to rise.

Persimmon, the country's eighth largest house-builder,



Source: Department



Source: FT Graphs

reported on Wednesday a 34 per cent rise in pre-tax profits to £11.3m. Sales of new homes, which had dipped in June and July, bounced back in August, according to chairman Duncan Davidson; indeed, they were a quarter higher than during the same month last year.

Some of the increase will have come from the company selling more development sites as it pursues its ambition of raising output from 2,771 homes last year to 4,000 a year by the mid-1990s. But other builders have also reported higher August sales.

Normally this would bode well for September and October, traditionally good months for house sales. These months have been blighted in the past two years, though - first, when Britain left the European exchange rate mechanism in September 1992; and then in autumn last year as potential buyers stayed out of the market during the run-up to the November Budget, the first at that time of year.

Many builders are concerned that sales could again be affected this September and October by fears of interest rate rises, although Davidson believes the recovery is now solid enough to withstand a small increase.

Persimmon, meanwhile, increased the net profit it made on each sale in the first half to £7,518 from £4,825 in the first six months of last year. This compared with a peak profit

per house of £18,000 in 1988-89. The company aims to get this back to £10,000 a unit in the next 18 months.

Rugby, which this week announced a 17 per cent rise in first-half pre-tax profits to £55.6m, said UK cement sales overall had risen by 8 per cent. But purchases of bagged cement, sold for mainly small works, had fallen slightly.

More worryingly, the company warned of price competition in the UK joinery market which, unlike other building material sectors, did not reduce capacity during the recession.

For equity investors, the conclusions may be that housebuilders and their material suppliers, particularly those which have cut capacity and are able to contain prices and margins, are performing best.

The recovery, however, is slow and modest and most of the virtues have been reflected already in these companies' share prices. In spite of this week's flurry of price increases for builders prompted by the August sales boost.

Andrew Taylor

FINANCE AND THE FAMILY

Playing the markets



Simon Davies, head of global investment, Garimore.

The key to most world markets is what is likely to happen to interest rates over the long term. The first half of 1994 saw bond markets collapse worldwide, pulling equity markets down with them.

In the UK, a dismal performance by the gilt market has prevented equities from reacting positively to higher than expected dividends and better earnings prospects. The gilt market must recover for equities to have any real chance.

In fact, the outlook for long-term rates now looks positive. Inflation looks likely to stay down for some time and may not cross the 3 per cent barrier until the end of 1995.

At 8.5 per cent, gilt yields

This has been a relatively strong summer for UK equities, although the FT-SE-A All-Share index is still about 8 per cent below February's peak. What are the prospects for the UK and elsewhere over the rest of this year and 1995? Scheherazade Daneshkhu asked several leading fund managers for their views.



David Rosier, chairman, Mercury Asset Management.

We remain positive about the UK for three main reasons: the large degree of under-utilised capacity, enabling the economy to grow above trend without provoking inflationary pressures; the likelihood of a significant improvement in public sector finances, so improving the technical position of the gilt market; and a favourable valuation compared with other major markets.

This year has seen a dramatic upswing in sentiment towards Japan, partly fuelled by the underweight position in Japanese stocks of many international portfolios. Anticipated shifts in the economic structure, combined with the opening-up of the domestic Japanese market, will encourage inward investment.

In the Pacific area and other emerging markets, the main risks are the reversal of international portfolio flows and adverse developments in China. But the profit potential now appears more significant than the downside risks.

We remain underweight in the US mainly because the opportunity for outperformance is stronger elsewhere. Our stance on continental Europe is still neutral due to the likelihood of corporate earnings disappointing expectations, uncertainties in the political arena, and the valuation of its equity markets relative to other regions.

look attractive, given our view that base rates will not have to rise for some time.

With a bond market recovery, equities should do well. Economic growth should be 3.5 per cent this year and possibly next year as well. Profits should meet or exceed expectations.

We are probably talking about returns of 10 to 12 per cent rather than an explosion, but still an attractive return against deposits or viewed against 2 per cent inflation.

The FT-SE 100 could reach 3,400 by the end of this year and 3,600 by the end of 1995.

Overseas, the picture is complicated by the poor showing of sterling, which has boosted the return of overseas assets to date but seems unlikely to be repeated.

The only currencies against which the pound looks overvalued are those in the dollar bloc. Investors could diversify with purchases of US dollar bonds.

Pacific and other Emerging Market equities look good value again after their setback and are also dollar linked.

Overall, bonds and equities look a good bet relative to cash.



Michael Hart, chairman, Foreign & Colonial Management.

We are taking a fairly optimistic view of stock markets for the end of 1994 and 1995. The key factor is that higher interest rates in the United States have begun to slow down the economy, with the result that stock and bond markets may now be taking too pessimistic a view of the outlook for inflation.

We expect the UK base rate to be 5.75 per cent at the end of 1994 and 5 per cent at the end of 1995, but this is well discounted in the market.

Ten-year bond yields should move lower by end-1994 and even lower by end-1995. Bonds in the UK and France could be especially cheap.

As far as equities are concerned in the UK, Europe and Japan, profits could be showing good increases. However, the US is four years into its recovery and further advanced in the profit cycle, so the best of the increase in profits may have been seen.

If all goes well, the FT-SE 100 index could be 3,500 by the

year end and 3,850 by the end of 1995. Japan could be a particularly attractive market if local investors are encouraged by further political reforms.

Probably the most exciting returns may be obtained in Latin America.

Brazil could be the star, with gains of up to 50 per cent if the new president, to be elected in October, is able to introduce vital reforms. Gains of around 25 per cent could be possible in Mexico.

South Korea looks the most promising of all the emerging Asian markets, with a possible rise of 25 per cent.

remain stretched, even allowing for substantial profit gains, and this is likely to exercise a restraining influence on the performance of these markets.

Japan may also offer private investors only limited potential over the next 12 months. The economy is gradually emerging from recession but the recovery is likely to be anaemic.

We believe that it is right for private investors to remain committed to equity markets. Our preference is for the UK and US markets, and we would retain a relatively modest exposure to cash and bonds.



Kenneth Levy, head of fund management, Capel-Cure Myers.

The fundamental backdrop for UK equities remains quite attractive, despite the disappointing performance of the London market so far this year.

Inflation is displaying little tendency to accelerate and pay settlements have barely budged, despite the sharp decline in unemployment over the past 18 months. More

importantly for equities, the gilt market already appears to be discounting a significant deterioration in the inflation environment.

Given all this, we expect the FT-SE 100 index to advance to about 3,400 by the end of this year and perhaps to 3,700-3,750 by the end of 1995. Elsewhere, the picture is more mixed.

We feel the outlook for Wall Street is relatively positive, with recent corporate results indicating that double digit profits growth will be achieved this year. But we are more cautious on the prospects for continental Europe. Valuations

remain stretched, even allowing for substantial profit gains, and this is likely to exercise a restraining influence on the performance of these markets.

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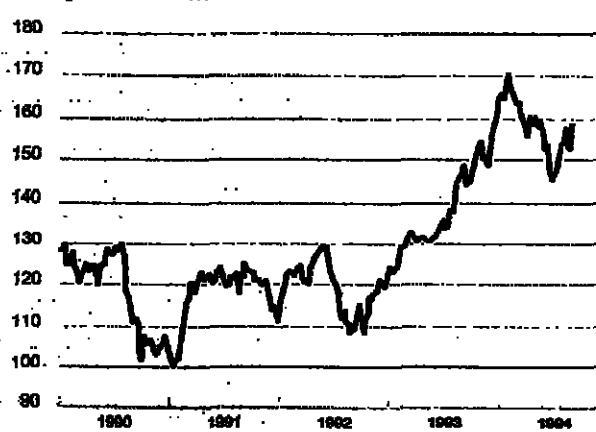


Clive Boothman, managing director, Schroders Unit Trust Ltd.

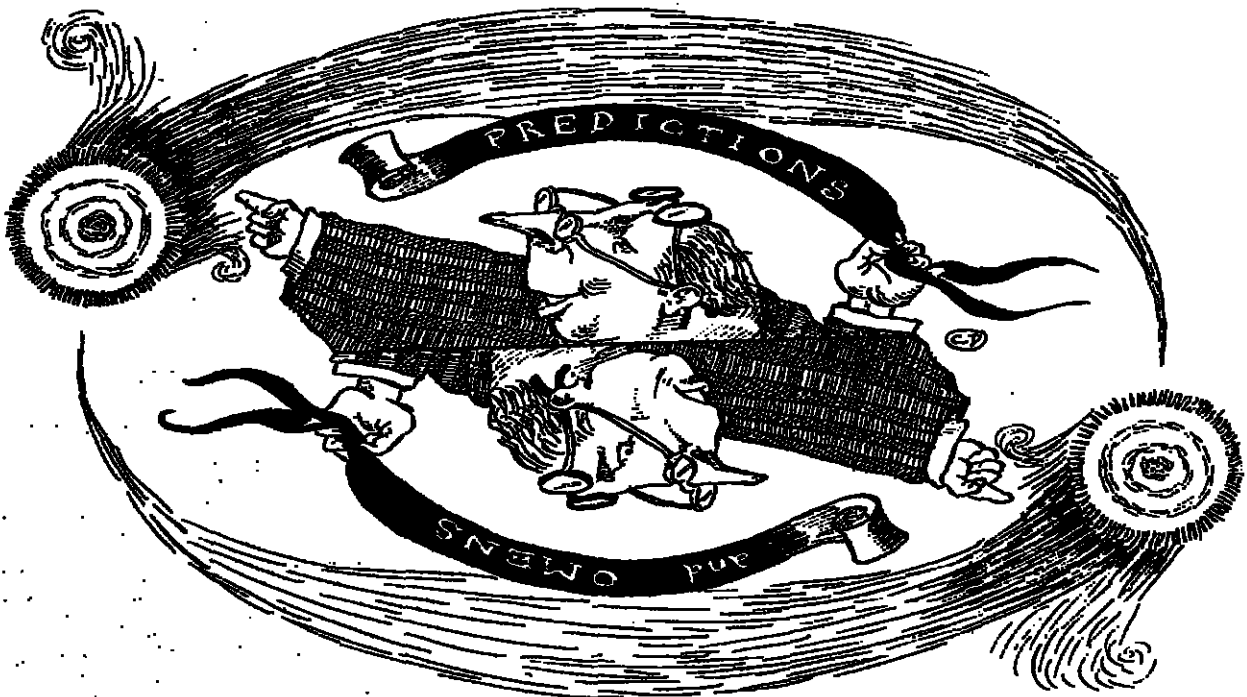
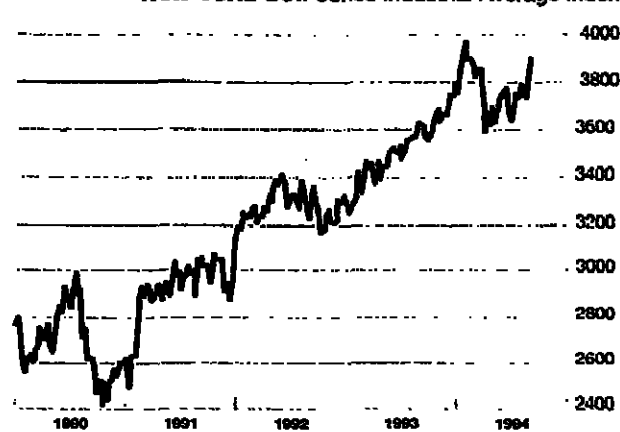
As far as the UK and Europe are concerned, a combination of relatively pallid consumer demand, spare capacity and continuing low costs, especially wage costs, points to the continuation of a slow growth, low inflation recovery. Consequently, we believe both equity and bond markets represent

Continued page VI

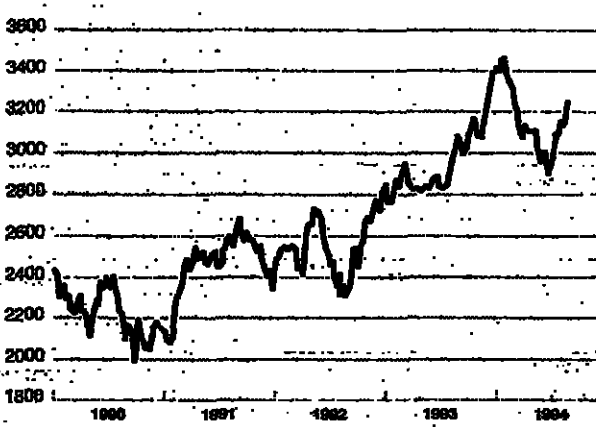
Europe's FT-A World index



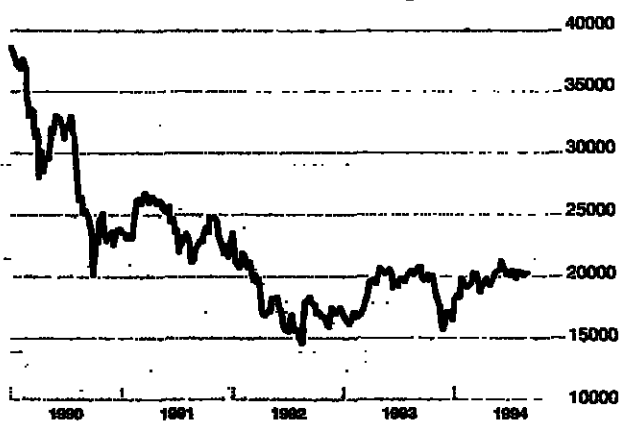
New York: Dow Jones Industrial Average index



London's FT-SE 100 Index



Tokyo's Nikkei 225 index



Source: FT Graphics

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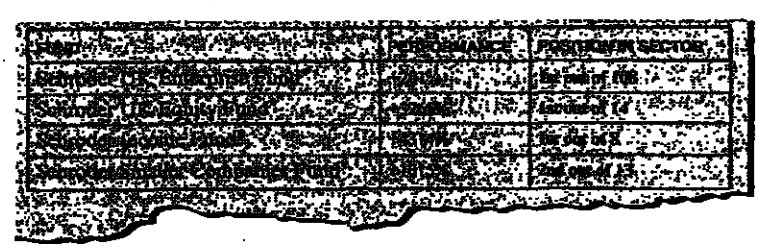
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*Source: Mifpral offer to bid with gross income reinvested since launch to 22/08/94. UK Enterprise Fund from 01/08/89 and from 01/08/89 +102%, 111%, 116%, 116%, 116% from 01/08/89 +14.4%, 30.52%, income and UK Equity Funds from 03/01/72 (the earliest date for which Mifpral figures are available) and from 01/08/89 +68.3%, 89.4% and +74.1%, 170% respectively.

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THE INVESTMENT HOUSE

Diary of a Private Investor

Kevin Goldstein-Jackson explains why he finds salerooms and their contents irresistible

tion house only to find, when I got them home, that three more pictures were hidden behind one of the canvases.

I enjoy local auctions. They are convivial and informal places where people sit on the chairs to be auctioned while a whole parade of objects is displayed and rapidly sold.

Experts can, and do, find bargains although I have no such insider knowledge; I just buy what appeals to me. But, over the years of auction-going, from the grand venues of London to local salerooms, I

The most important is always to inspect the items before the sale starts. What might appear a flawless piece of china when held up during the auction can, on close inspection, turn out to be a mended item. A painting could look superb from a distance; close up, it might have irreparable damage. Close examination prevents such embarrassments.

Auction customs have changed over the years. In the

past, bids have been made by nods, winks, raising a hand or scratching your nose. In many venues today, they are made by displaying a "paddle" - a length of wood or plastic to which a number has been fixed.

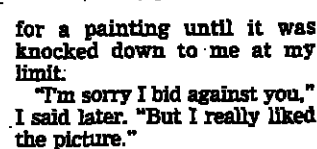
Intending bidders register their name and address - and often, for major auctions, their business or banking details with the saleroom. In return, they get a numbered paddle to raise when they wish to make an offer. Many auction houses use computers to track bids.

For a novice, it is easy to overlook that the final bid price is not the only amount to be paid. To this must be added a buyer's premium, which is usually 15 per cent on the first £30,000 and 10 per cent on the rest. Some auction houses charge less; at Christie's in South Kensington, London, the premium is a flat 10 per cent. But remember that value added tax must be paid on premiums.

While the major London salerooms offer a packing service, you have to take your own

Before visiting an auction room on viewing day - usually the day before the actual sale - I always get a copy of the catalogue. It is important to remember that the estimated prices given may vary considerably, up or down.

In my early days of collecting, I used to write on the catalogue the limit to which I was prepared to go to acquire an item. I stopped doing this after a charity auction at which a friend kept bidding against me



"That's all right," he replied. "I didn't want it. I saw you write down your limit for it, so I thought I would help the charity to get a full price for it."

The largest transactions of the week were recorded at two of the giants of the City.
 □ S.G. Warburg has a market capitalisation of more than £1.6bn, but its share price has been hit over the past year. Board members have sold stock at various times, the most recent being Oscar Lewisohn, an executive director, who disposed of 70,000 shares - more than a third of his holding - at 758.5p.

total of 90,000 shares at 405p. Both retain large stakes in the company.

■ Neil Chisman has been finance director at Stakis, the hotel and casino operator, since 1989 and his holding is now the second largest after Sir Reo Stakis, the founder and president. Over the past 12 months, the shares have had a period of considerable out-performance, although this has tailed off over the summer. The

Company	Sector	Shares	Value	# directors
SALES				
Bikroy	Prop	10,000	28	1
Bikroy	EBIE	29,500	79	1
Smith New Court	Off	90,000	365	2
Stakis	L&H	22,417	20	1
Warburg (SG)	MBnk	70,000	531	1
Marics & Spencer	RetG	40,016	174	1
News Int	Media	40,000	121	1
PURCHASES				
Phoenix (cum pri)	BM&M	53,050	32	1
Ayshire Metal	n/a	180,000	146	2
Ransomes	Eng	50,000	32	1
Fleming Japan	Invnt	8,250	17	1
Eng & S	InvT	10,000	12	1
Owners Abnd	L&H	65,000	66	2
Quadrant	L&H	50,000	15	1
Ramco Energy	OffE	28,000	50	1
INVESCO	OffH	15,000	26	1
Gieves	RetG	55,541	34	1
Parity	SSR	12,500	16	1

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange August 22-26 1994.
Source: Directus Ltd. The Inside Track, Edinburgh

BUILDING SOCIETY INVESTMENT TERMS

[illegible]

* For telephone use local directory. ** Not an issue rate for CAR - Annual visit after interest completed.

27294

Europe boosts Burmah

The gathering recovery in continental Europe should benefit Burmah Castrol, the lubricants, chemicals and fuels group, which is expected on Monday to report a double-digit increase in pre-tax profits - from £90.3m to more than £100m. The lubricants group, which supplies the US and Asia and the upturn in the German market will at last benefit the metallurgical business of Foseco, which was bought at the end of 1990. Printing, the packaging, paint and coated products group, is expected on Tuesday to announce profits for the half-year to June broadly similar to last year's £102.6m. Consensus forecasts are just over £100m, with a range of £95m to £110m.

but management comments at the AGM raised shareholder hopes of a year-end rise.

□ RTZ, the minerals group, is expected to report on Wednesday a steep rise in profits for the first half of 1994, from £186m to about £210m-£215m on the back of higher base metals prices.

□ Analysts are anticipating Cookson, the speciality chemicals and metals group, to report on Thursday a rise in interim underlying profits from £27m to about £50m. But

expected to report interim profits up from £1.67bn to between £1.88bn and £1.9bn on Thursday following increased volume sales of Zantac, its best-selling anti-ulcer drug, and buoyant demand for its respiratory products.

The figures, however, could be hit by the group taking some of July's £100m bond losses against first half profits.

Analysts are also watching its dividend policy closely for any signs of concern over patent infringement cases in

half-year results on Thursday. Second-quarter results usually show a loss due to a seasonal downturn in demand, and analysts are expecting a net loss of £15m-£47m. Some analysts believe British Gas may use the occasion to elaborate on its future dividend policy.

Earlier this year, the company warned that regulatory uncertainty was threatening its ability to maintain dividend growth. Most analysts expect that the 6.4p dividend will be maintained.

the composite insurance group. On Thursday has produced a wide range of forecasts among analysts. These start at £140m and rise to £215m, against £61.7m. The shares have been among the worst performers among its peers and there is a growing view among some market watchers that the bad news is in the price.

□ Intern pre-tax profits from Blue Circle on Thursday are expected to fall in the range of £80m-£95m, against £60.5m. Attention is likely to focus on

Source: FT Graphite

Both are expected to show a good recovery, but the level of the rally and the accompanying outlook from the company will be watched with keen

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£m)	Earnings per share (p)	Dividends per share (p)
Johnson International	HAEG	Mar	481	(26.9)	(7)
Cathay Airways Fly Ute	Av	Jun	395	(94.4)	7.98
Layland Trucks Mfg	Eng	Apr	8,400	(1)	(7.2)
Lin Printing Tech	Av	Jun	332	(1,650)	1.7
Longford Insurance	Fin	Mar	1,000	16.1	1.5
New London	OEE	Mar	3,250	(23,700)	1
Newmarket (Leeds)	Av	Apr	898	(1,580)	1
Patrick Hornum Inv	INT	Jul	4,636	(4,74)	0.28
Pratt & Whitney	Eng	Mar	7,282	(1,010)	0.11
Verity	SAES	Jun	1,014	(2,72)	0.4

	Half-year	Pre-tax profit	Interim dividends*
--	-----------	----------------	--------------------

Company	Sector	In	1990	1991	per share	(t)
Affiliate & Leicester	n/a	Jun	134,400	82,000	-	-
Adco (BBB)	EMSE	Jun	2,770	4,530	-	0.4 (2.8)
Adco (TP & J)	EMSE	Jun	1,710	1,630	-	-
Adrian Glyn Han	L&H	Apr	1,410	2,235	1.5	1.0
Barling Bros Eng Mills	n/a	June	13.18	(14.87)	-	-
Barr & Wallace Amco	L&H	Jun	928	(868)	3.0	(5.0)
Blackburnham Group	Jun	2,800	1,180	1.0	-	
Blackburn (TP & J)	EMSE	Jun	158	227	2.8	(2.8)
Bell-Somero	ONE	Jun	5,650	5,370	2,887	(2,887)
Blackburn Int	L&H	May	904	(2,500)	-	(t)
Blackburn Technology	EMSE	Jun	96	(233)	1	(t)
Clain Energy	ONE	June	415	(847)	-	-
Claydon Holdings	ONE	Jun	8,820	8,820	2.15	1.0
Coleman	PP&P	Jun	6,230	(4,640)	2,017	(1,534)
Coutts Consulting	Sp&S	Jun	341	(5,240)	-	-
Dixon Motors	Dist	Jun	3,370	(642)	1.25	(0.75)
Domestic Interiors	EMSE	Jun	2,000	(2,000)	1.0	(t)
Domestic & Crown Prop	Sp&S	Jun	120	363	-	-
Encon International	Edin	Jun	85	(82)	1	(t)
Fleming Cleavehouse	Infr	Jun	168.9	(168.0)	1.259	(1.25)
GA	Jun	5,000	1.0	-	-	
Graham's Post	ONE	Jun	4,370	-	-	-
Hartons	Chem	Jun	325	1,180	1	(t)
Independent News	Med	Jun	15,200	(14,600)	3.0	(2.67)
Intelech	n/a	Jun	3,800	3,800	2.75	2.3
James's Continental	Tran	April	3,490	(8,000)	1.2	(0.97)
Kerr	ONE	Jun	8,554	-	-	-
Johnston Press	Med	Jun	9,570	(5,023)	2.75	(2.3)
Lachlaine	L&H	Jun	61,000	(57,800)	2.4	(2.82)
Liliput	ReCh	Jun	1,130	(1,093)	1.06	(1.49)
London Finance & Inv	Sp&S	Jun	35.25	31.28	-	-
Lowlands (class)	PP&P	Jun	7,090	(5,350)	1.7	(1.44)
M&M	Med	Jun	440	(207)	-	(t)
Makal	ReCh	Jun	501	1,026	0.75	(0.375)
Marlowe (John)	B&C	Jun	710	(4,900)	0.5	(0.0)
McIntosh	ONE	Jun	4,250	1,370	0.5	(0.6)
Meridian	Dist	Jun	2,830	(2,010)	2.0	(t)
Peapack Group	Sp&S	Jun	68	(1,022)	2.0	(2.0)
Pennine	ONE	Jun	11,300	(8,440)	3.0	(2.8)
President Financial	Sp&S	Jun	30,700	(21,000)	14.75	(14.75)
Quinto	EMSE	Jun	2,820	(1,070)	1.1	1.0
Ramco	Med	Jun	1,870	(1,830)	2.0	(2.0)
RSJ Mining	Edin	Jun	6,820	(15,500)	5.2	(5.0)
Robson	ONE	Jun	3,070	2,230	1.0	(t)
Russett & Colman	HWG	Jul	12,330	(14,600)	6.95	(6.45)
Rolls Royce	Eng	Mar	1,800	(328)	1	(t)
Rolls Royce	Eng	June	40,000	(81,000)	2.0	(2.0)
Shawcross	ONE	Jun	1,200	(5,000)	3.0	(3.0)
Schle	Sp&S	Jun	35,600	(60,500)	1.5	(1.428)
Serco	Sp&S	Jun	6,000	(4,350)	1.06	(1.06)
Sherriffes	EMSE	June	761	(251)	0.25	(t)
Shoring Ram	Jul	1,100	1	(34,000)	1	(t)
Starlight	L&H	Jun	270	-	-	-
Stratford	Eng/IV	Jun	1,000	(28,400)	7.5	(10.85)
United Carriers	Tran	Jul	12,100	(1,880)	1.8	(t)
Ward	Jun	15,800	(8,300)	1.75	(1.25)	
Wardminster Wedgwood	HWG	Jul	4,000	(4,000)	-	-
Williams Holdings	D&N	Jun	28,200	(76,400)	5.25	(5.0)

Figures in parentheses are for the corresponding period.)
 † Dividends are shown net pence per share, except where otherwise indicated. L = loss. ‡ Net asset value per share. § High points and pence. ¶ 3 month figures. † Net attributable profit. ‡ US dollars and cents. * Figure for previous 6 months. † Figures for 11 months. ‡ Second interim, ending 2.5p a share. * Figures since March launch. † Figures since May launch. ‡ Net asset value.

Business Technology Group is to raise approximately £10m via a placing of 143m shares at 7p.
 CRP Leisure is to raise £900,000 via a placing and offer of 20m shares at 5p.
 Compel Group is to raise £25m via a flotation.
 Profitline is to launch the Profit Income Trust via an offer of shares at 100p.
 Superfect is to raise approximately £20m via a placing.

Value of	Price	Value
----------	-------	-------

Company and share	Oct per share	Market price	Balance of Oct	Oct Share	Holder
Prices at prices unless otherwise indicated					
3600	380	330	24.80		ACE Holdings
Castle Commons	7014	73	60	16.00	TT Group
Circle Electric	1014	73	60	16.00	TT Group
Chenoparport Vernon	167	156	113	32.30	Estate Hefalath
Clusick	776	174	12	37.70	Ferguson Int'l
East Southern	776	70	475	12.80	Service Corp Int
East. J.	305	311	18.50		Service Corp Int
Eastway	16	12	4.60		Channing
ECO Refractories	358	356	355	21.70	Sine Darby
Edco	350	357	169	24.00	Teeco
Eng (NW)	350	357	169	24.00	Teeco
Escher	350	353	193	95.10	Hansen
Escher	1100	740	740	48.50	Hansen
Esco (LW)	1000	740	740	20.00	Mantel

lowies ↓	276*	268	243	1.22	London City
rans World ↓	181	179	173	70.80	ENAP

RESULTS DUE

Company	Sector	Amount due	Dividend (\$)		
			Last year		This year
			Int.	Final	Int.
FIXED DIVIDENDS					
Adcoeur	Med		1.5	3.2	2.5
American Trust	Fin		0.348	1.29	0.38
Bankch	Fin				
Centers	ReGn		1.0	3.0	1.0
Flintbury Underwriting	Ins		-	-	-
Forsyth	Fin		-	-	-
Group Assoc	ReGn		2.2	2.7	-
Gleaze	Phm		7.0	15.0	8.0
Greiner Global Securities Co's	Int				
HTI Japanese Smelter Co's	Int				
Hynes Publishing	Med		3.5	4.5	4.0
Hewlett	Chan				
Indus	ReGn		8.27	11.48	6.02
Leidy & Macmillan State Co's	Int		1.25	2.75	1.25
Stewart Zigomatic	Offn		-	8.14	-
Sun Alliance	Fin		5.27	9.5	
Tottenham Hotspur	LAH				

INTERIM DIVIDENDS				
AMER	FIN	WATER	1.5	1.5

[illegible]

Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. † 1st quarterly. ‡ 2nd quarterly. * 3rd quarterly.

Looking

1

FINANCE AND THE FAMILY

You can bet on it!

Fancy a flutter on exam results? No problem, says Bethan Hutton



When the GCSE school examination results came out last month, one Manchester mother and daughter had much to celebrate. The daughter got 10 A-grades and her mother won £150 from a bet on the outcome.

Putting money on a child's academic success might not appeal to everyone - it could put unwelcome additional pressure on a nervous candidate - but, every year, a few parents choose to have a flutter.

Bookmaker William Hill started offering odds on exam grades a few years ago when a 15-year-old boy studying for GCSEs asked to lay a bet on his own chances. He was refused - betting is illegal for under-18s - but his father then staked £50 at 20-1 that his son would get all A-grades.

Then the boy's headmaster also placed a bet - and with such confidence from those

with inside knowledge of his form, it was not surprising that the boy turned out a winner.

Since then, the typical odds have narrowed. Graham Sharpe, at William Hill, gave the bright Manchester girl odds of 3-1 after seeing her latest school report and mock GCSE results. But, given that about 80 per cent of bets on exam results are successful, Sharpe's odds may still be on the generous side.

Another winner this year was a father whose son arrived in the UK from the former Yugoslavia only in May 1993 but still managed three grade As at A-level this summer.

Winners usually end up in the hands of the successful youngsters, perhaps as a cash bonus or in the form of a new bike or holiday. If you had planned to wave a £50 note or two in front of your child as an incentive for diligent revision, then placing a bet could be one way of doubling or

even tripling the potential reward. If, however, your child slipped one grade but then demanded a reward for all the effort, anyway, you might regret having staked the money.

As with all wagers, there is a tax of 10 per cent. You can decide whether to pay it when you lay the bet or run the risk of paying 10 per cent of your winnings.

If your children's talents lie in other directions, you can find bookies willing to lay odds on sporting prowess or almost any other achievement.

Sharpe was contacted recently by parents wanting to bet that their son would play rugby for England. Any win would be a long time coming, though - the lad was only 17 days old.

At that age, the odds offered can be spectacular: perhaps 10,000-1 or more. But when the child is older, and has had the chance to show if it has some footballing talent, they drop quite sharply.

Even so, most parents betting on their children's sporting success get only entertainment value from the bet. But, six or seven years ago, Sharpe accepted £200 from a proud father who wagered - at 500-1 - that his son would win the 1,500 metres race at the 1996 Olympics.

That boy is Curtis Robb who was, at the time, just another good teenage runner. Since then, though, he has become a leading athlete who ran in the 800 metres at the Barcelona Olympics two years ago. Sharpe is now confronting the real possibility of having to pay out £100,000.

So, if you cherish dreams of your son or daughter winning an Olympic gold or getting into parliament, there is nothing to stop you backing the dream with a little cash. It might be a very long shot - but how many other investments could pay out £100,000 after 20 years for a one-off £200 premium? Just be sure you don't lose the betting slip.

The Professionals

Looking to the long term

Joanna Slaughter sums up her series on private client fund managers

The investment managers profiled over the past 10 weeks differ on asset allocation, stock-picking, the use of derivatives and the management of a private client relationship. But none would dissent from the view that Big is Beautiful. Indeed, size is their most seductive sales pitch.

Certainly, it bestows benefits that more modest investment houses cannot provide. There is much advantage to be had in pointing out that the portfolio managers who look after private clients draw on the same research and global investment resources as the managers who run billions of pounds of institutional money.

Size also provides a great degree of security for the assets of private clients, along with capital resources for the systems and manning levels needed to provide customers with the attention they want. After all, those who go to the investment equivalent of Savile Row expect both a bespoke suit of financial clothes and first-class service.

Accordingly, many of the largest firms are able to devote considerable resources to matching the client to the fund manager, and to ensuring that an administrator is a lead player in the private client team, not a tall-end Charlie. As David Rosier, the chairman of Mercury Asset Management (the investment management arm of the S.G. Warburg Group), put it: "People can understand that you don't always get that extra bit of performance, but they can't understand if you don't spell their name right or if they don't receive their dividend cheques."

Investment managers: factfile

Portfolio manager	Minimum portfolio investment (£000s)	Minimum annual fee	Private client funds under management (£2m)
Schroders	£2,000	£20,000	£1,300
Mercury	£300	£2,000	£2,800
BZW	£250	£1,500 discretionary	£1,300
		£2,000 advisory	
Kleinwort Benson	£200	£1,500	£2,600
Fleming	£100	£1,500 fee basis	£2,700
		£250 discretionary, commission basis	
Cazenove	No fixed minimum	commission basis	£3,000
Barings	No fixed minimum	£10,000	£2,300
James Capel	£100	£750	£4,500
Rothschild	£500	£5,000	£984
Credit Suisse	£100	£1,000	£1,000



The City in 1887... many firms retain the old values

run white and black lists of stocks. The freedoms allowed to individual managers within these lists vary but, overall, most firms will agree that their investment style was long-term, cautious and conservative.

Although portfolio management starts from the premise that the client is king, not all firms allow their clients to be absolute monarchs. Indeed, in flexibility, some of the blue-chip investment management outfits compare badly with more modest rivals.

Some accept clients only on a discretionary basis, and the use of collective funds for overseas and specialist investments is universal. At Schroder, any private client with less than £500,000 is directed to the

Schroder World Fund unit trust, and assets of £2m are needed for a managed portfolio of equities.

Of course, controlled investment management, underpinned by huge research capability, is of little benefit unless it produces performance - but relative performance is not easy to gauge with bespoke portfolios. Alastair Begg, chief investment officer of Kleinwort Benson Investment Manager, says: "There is no answer that is likely to be right for more than one client."

Some managers run model portfolios, however, and firms increasingly are offering a unit trust that replicates the portfolio of a private client portfolio. This fund acts both as a shop window for the firm's invest-

ment skills and a way of appealing to the smaller investor market.

The big question is whether the intimate relationship between client and manager, the services offered, and the investment results achieved by the private client division of a huge investment house are enough to justify what are, in some cases, very high minimum investment requirements and stiff management fees.

Certainly, exclusivity can come at a price that only a niche market of investors can afford. Tim Keown, director of £125m Ely Fund Managers, points out that many of the leading investment managers are declining to consider large numbers of private clients if they are looking for managed portfolios of equities.

Keown adds: "There is a large chunk of the private client market where the average family or individual has investment capital of £50,000 to £400,000. They want a discretionary service and a genuinely reliable personal relationship at partnership level."

In the main, that certainly is not the market that the big investment managers are chasing. They want to attract more investors into their unit trusts; but most believe that future expansion of their private client numbers will come from "new" money - the fruits of entrepreneurial activity - and from overseas clients.

GUINNESS FLIGHT

UNIT TRUST PEPS

GUINNESS FLIGHT

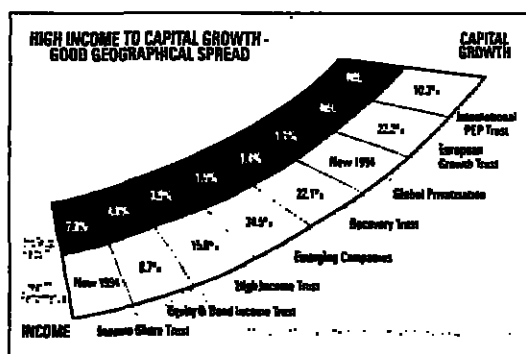
PEP FOCUS

PERFORMANCE IS EXCELLENT
PRODUCT RANGE FOR ANY PORTFOLIO
PRICED FOR VALUE

- Low 2% initial charge*
- No withdrawal charge after 3 years

Guinness Flight was named best performing medium sized unit trust group over one year in 1993†.

Four timely trusts from our comprehensive range of 8 unit trust PEPs (see across) are highlighted below.



INCOME SHARE TRUST

PERFORMANCE (Launch 18.4.94)

*Source: Office for Official Statistics, based on data to 1.8.94

INCOME SHARE	1.1%
MICROPAL (SC Inc. Share)	-0.8%

ASSET ALLOCATION (8.8.94)

UK Equities 9%

UK Bonds & Cash 17%

UK Income Shares 70%

FUND SIZE

GROSS YIELD (8.8.94)

DISTRIBUTIONS

20/3 25/6 28/9 20/12

INITIAL CHARGE

ANNUAL MANAGEMENT CHARGE

5.0% 2.0% 1.0% 1.25%

*10% discount scale of net charges

†1993 performance based on data to 1.8.94

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HIGH INCOME TRUST

PERFORMANCE (Launch 2.10.78)

*Source: Office for Official Statistics, based on data to 1.8.94

HIGH INCOME	15.0%	62.2%	51.6%
MICROPAL (UK Equity Inc.)	8.0%	48.4%	40.4%

ASSET ALLOCATION (8.8.94)

Min. Investment £1,000

UK Equities 12%

Services 15%

Financial 10%

Consumer 22%

General Mgmt 20%

FUND SIZE

GROSS YIELD (8.8.94)

DISTRIBUTIONS

31/3 30/6 30/9 31/12

INITIAL CHARGE

ANNUAL MANAGEMENT CHARGE

5.0% 2.0% 1.0% 1.5%

*10% discount scale of net charges

†1993 performance based on data to 1.8.94

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RECOVERY TRUST

PERFORMANCE (Launch 5.2.78)

*Source: Office for Official Statistics, based on data to 1.8.94

RECOVERY	22.1%	100.6%	11.5%
MICROPAL (UK Growth)	8.0%	45.0%	32.4%

ASSET ALLOCATION (8.8.94)

UK Equities 10%

Consumer 10%

Financial 15%

Min. Investment £1,000

General Mgmt 20%

Services 20%

FUND SIZE

GROSS YIELD (8.8.94)

DISTRIBUTIONS

11/6 8/12 15/2m 14/2m

INITIAL CHARGE

ANNUAL MANAGEMENT CHARGE

5.0% 2.0% 1.0% 1.5%

*10% discount scale of net charges

†1993 performance based on data to 1.8.94

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FINANCE AND THE FAMILY

Why the UK can be the world's best tax haven

The catch is that you need to be resident but not domiciled. Caroline Garnham examines the best ways to keep the Revenue at arm's length

Some might find it hard to believe – but the UK is the best tax haven in the world if you are resident but not domiciled there.

UK legislation takes into account two factors in taxing individuals:

■ Residence, which is determined by how much time you spend in the country.

■ Domicile, a common law concept which has nothing to do with either residence or nationality. In essence, it is the country you consider to be your "home".

If you are resident in the UK but domiciled elsewhere, you will not have to pay tax on profits – whether income or gains – made abroad unless you bring them into the UK. Nor will you have to pay inheritance tax on any assets or investments you own abroad for the first 16-17 years.

Indeed, you can reside in the UK tax-free if you own or earn nothing in the UK; keep all your investments abroad; and bring into the UK only "pure" capital. That is, money to which neither income nor capital gains made while resident in the UK has been added.

There are many ways in which profits can be separated from capital so that they are left offshore, with only the capital brought to the UK. One is for pure capital to be deposited in an offshore bank account (account 1) with all the

income mandated to a separate offshore account (account 2). Money can then be brought to the UK from the first account without having to pay income tax.

The usual difficulty is finding pure capital. So, the best time for you to do any tax planning is before you arrive in the UK or just after you have received an inheritance or substantial gift.

There are some ways in which income can be converted into pure capital. Investment income – such as the interest in account 2 – can be converted if, immediately before the

beginning of the tax year on April 6, account 1 is closed down and the money transferred to a new bank account. The interest earned on account 1, which is sitting in the UK in the new financial year free of income tax.

Converting investment income abroad into tax-free sums has been done by many people for many years. But it works only with investment income, not earned income, and then only for those with an eye for detail.

One woman, of whom I know, thought she was operating the scheme successfully until the Inland Revenue asked her for proof. It was only then that she discovered her bank offshore had been operating only one account, to which both income and gains had been added regularly.

The woman, who had been bringing substantial sums from this account into the UK, had no option but to pay a significant amount of tax plus interest and penalties.

If you are lucky enough to be non-UK domiciled but UK resident with substantial funds, it is, usually, easier to set up one or two trusts offshore. The trustees then can be responsible for making sure the income is removed from the trust funds and kept offshore, and that only pure and untaxed capital sums are brought into the UK.

The other big advantage, if you benefit from a trust set up by someone not domiciled in the UK, is that all gains made in the trust are tax-exempt – even if they are brought into the UK later. This is true even for gains made in the UK.

You might wonder why the law is not changed to catch long-term UK residents who live tax-free.

The reasons are simple. The government has admitted that it does not make economic sense to change the law for non-UK domiciled British residents since, for practical purposes, the tax advantages are

available only for capital-rich foreigners. And these are just the people the UK wants to attract because they are either big spenders or good profit generators.

Thus, it is highly unlikely that these tax laws, unfair though they

may be, are likely to be amended by this government or any future administration, irrespective of party.

Caroline Garnham is a tax and trusts specialist at City of London solicitors Simmons & Simmons.



Be sure to keep records

Tax inspectors, like birds of prey, wait for their victims to make a mistake. In many cases, people coming to the UK take detailed advice on arranging their affairs only to find, several years later, that their plans have not been implemented properly.

This can be caused by complacency, coupled with ignorance of the small print of the tax legislation – or by new rules that are overlooked. The result is rich pickings for the Inland Revenue.

It is becoming increasingly common for inspectors to harass taxpayers, whether they are UK-domiciled or not. Quite often, tax is not due – but the documentary evidence to prove it beyond doubt is lacking. The victim is, therefore, pressured into paying some tax simply to avert the stress of a full-scale investigation.

So, if you want an offshore structure to be tax-effective, it is crucial to have regular meetings with your UK tax advisers and make sure that proper records are kept.

NEW UNIT TRUST LAUNCHES

Manager (Telephone)	Sector	Target Yield %	Full PEP Deal	Savings Scheme Available	Charges outside PEP Annual %	Minimum Investment	Charges inside PEP Annual %	Minimum Investment	Special offer Period
■ Extra Income Fund									
Save & Prosper (0800 282101)	UK Equity Income	6.25	Yes	Yes	2	1.5	No	1,000	10/9/94-30/9/94
The annual charge is taken out of capital to boost the income. About 55 per cent will be invested in blue chips, the rest in fixed-interest stocks									

* Percentage point discount on £25,000-£50,000; no initial charge on £10,000 and above.

NEW INVESTMENT TRUST LAUNCHES

Manager (Telephone)	Broker	Sector	Warrants	Size £m	Yield %	PEP Deal?	Savings Scheme	Issue Price P	Minimum Investment	Annual Dividend %	Minimum Investment	Annual Dividend %	Offer Period
■ Profitic Income													
Profitic (071 280 370, or from 10/9/94: 0800 998855)		UK Inc Growth	1:5	40+	4%	Yes	Yes	100p	95.1p	2.00	0.8	2.00	22/9/94-13/10/94
Similar investment strategy to existing Profitic High Income unit trust, ranked 30th of 94 funds over five years													

Fund chiefs have their say

From page 111

reasonable value at these levels and have good growth potential over the medium term.

Our most-favoured market remains Japan and we believe that it also offers low inflation growth. But both the depth of its recession and the scale of its market falls suggest that it may well have greater recovery potential.

Inflation fears are most pronounced in the US which is hardly surprising – it is now entering its fourth consecutive year of growth and so spare capacity is inevitably becoming scarcer.

However, the series of pre-emptive interest rate rises seem to be slowing growth and we predict that US inflation will show only a modest rise to just over 3 per cent.

Increasing evidence of low inflation is stabilising the bond and equity markets already and should give them some scope to rise.

Stability in the US bond markets will be especially good news for the emerging markets of the Pacific and Latin American regions and should begin to allow their strong economic growth potential to be once more reflected in rising stock markets.

Dick Barfield, chief investment manager, Standard Life, said: "The firm's desirability is finally doing what it should have years ago."

Knight Williams, which specialises in giving advice to the elderly and retired, was the subject of an early day motion in the House of Commons in July. This referred to the number of complaints received from MPs' dissatisfied constituents.

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£50,000 fine on IFA

Knight Williams hit for breaches of Fimbra rules

Knight Williams, an independent financial adviser, was this week fined £50,000 for breaching 10 Fimbra rules; these included issuing misleading advertisements and failing to maintain proper client records. In addition to the fine – the second-largest imposed by Fimbra, the self-regulating body for IFAs – the company was ordered to pay £23,400 costs.

Kenneth Jordan, head of the 255-member Knight Williams Investors' Action Group, said: "The fine is despicable. What is infuriating is that Fimbra has finally done what it should have years ago."

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SIB added that, along with Fimbra, it would stay in close contact with Knight Williams regarding the firm's handling of complaints. Dissatisfied clients wanting to make a complaint should first address it to the company.

Most of the Fimbra charges covered failings in client files; these included an inability to demonstrate that the firm had adhered to the Know Your Client and Best Advice rules. Financial advisers must be able to show they have given suitable advice to clients based on a knowledge of their investment requirements and financial circumstances.

Other charges included issuing advertisements containing "inaccurate and misleading information". "Issuing an advertisement that was clearly not an advertisement, and which was clearly capable of being taken as a news item or editorial matter"; and "issuing a comparison or contrast which was not clearly based on facts verified by the issuer."

was not presented in a fair and balanced way, and which omitted material items".

Knight Williams, which has 24,000 clients, says it will be writing to investors whose files were criticised and will also try to identify those clients who responded to the advertisements cited by Fimbra. The company would not say how many clients were involved.

In a written statement, managing director John Williams said: "We are naturally concerned about being censured by our regulator – it is a serious matter." The fine will be paid out of dividends to the firm's three shareholders: Robin Knight Evans, John Williams and Stephen Prescott.

The Action Group is due to meet SIB later this month. According to Jordan, who lost his own case against Knight Williams at arbitration: "We hope to come to an arrangement to increase the chances of small investors getting a good deal."

Jordan, who favours conciliation rather than the Fimbra arbitration process, added: "Arbitration is weighted in favour of the IFA because they have the financial and legal muscle to present their case."

Scheherazade Daneshkhu

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PERSPECTIVES

As They Say in Europe

Confused by the lessons of war

There was a fairly interesting editorial in the London *Sunday Telegraph* last week on the subject of crime and punishment, an Anglo-Saxon obsession these days. Its main thrust, if I understood it, was that in western societies the (criminal) enemy at home resembled the enemy abroad of past times, that is to say Germany. And enemies have to be severely punished, not understood. That was aimed at Tony Blair, the leader of the Labour Party, who once said he would be "tough on crime and tough on the causes of crime".

The *Telegraph* said the background to criminal behaviour should be a secondary matter of concern and concluded with a reference to 1914: "Germany's illegalities then, as again in 1939, were defeated by force, not by inquiring into their causes."

This argument suggests bizarre conclusions and on this day, the 55th anniversary of the outbreak of the second world war, it is worth seeing what they are. Let us start with the Great War, which *Le Monde* celebrated last month with a series of illuminating studies of lesser known aspects of that event. One of the last pieces was headlined, "The army distressed by a beaten and shocked Germany."

It dealt with the reception given to the armies of the Kaiser on their return to the Fatherland in November 1918. The army believed it had not been beaten. The last message of the commander, Field Marshal Hindenburg, ran: "Thanks to victorious attacks as well as determined defence we have been able to keep the enemy far from our borders. We have saved our country from ruin and destruction."

The population disagreed and greeted the soldiers with hostility, which *Le Monde* called *la fete refusee*. The troops believed they had been sold out by traitors at home. Then came the Treaty of Ver-

sailles which, in another article, *Le Monde* called, "The antechamber of the next catastrophe". At Versailles, Germany was punished in a manner that would gladden the heart of a Sunday editorialist. She was found guilty in the dock of world opinion, lands were lost and huge fines imposed (which were not paid).

To cut a long story short, Hitler played on the myth of the stolen victory and the stab in the back, launched the second world war and tried to murder the Jews whom he held responsible.

These "illegalities" eventually met with a firm response. The anniversaries of that action now flood the newspa-

James Morgan asks if Bomber Harris would stamp out crime

pers. But the *Frankfurter Allgemeine Zeitung* celebrated the anniversary of the liberation of Paris in an unusual manner. One item started: "In this year there is no end to the commemorations of the events of 50 years ago. They will continue until May 1995. Fifty years ago many in Europe experienced horror."

"In Germany it was above all the allied bombardment which the people had increasingly to suffer. Almost every day towns were the target of heavy attacks, some places were bombed again and again, for example Kiel with its harbours and U-boat depots. Not only were military installations hit by the allied air fleets, but also, systematically, residential districts. What happened in one such attack is reflected here in the matter of fact words of the record kept in the war diary of a marine auxiliary on August 26 1944."

The report was a hair-raising account of nearly six hours of heavy bombing in which both

sides suffered substantial losses. But, having read *Le Monde* just a day before, one was struck by a reassuring fact: how different things were in 1945 from 1918. At the end of the second world war no German could think his country had been spared "terror and destruction" nor could he think it had not been defeated. And Germany, as the *PAZ* implicitly pointed out, suffered a similar fate to that of its victims in the second war.

One conclusion might be that we must all thank Lord "Bomber" Harris for half a century of peace in western Europe. The controversial head of the Royal Air Force is regarded as a war criminal in some circles in Germany because it was he who implemented the policy of so-called carpet bombing of German cities. But one must recognise that Germany, where memories of the raids are as vivid as ever, has presented no threat to anybody for the first time in 100 years. And still does not today.

That looks like one up to the *Sunday Telegraph*. Yet there is another side to the story. After the second world war there was no Versailles. Germany, at least the western bit, was given a shiny new constitution and pots of money. No huge fines, no isolation from the community of nations, instead a willingness on the part of the victors to learn from their past mistakes.

If there is a lesson, in terms of domestic law enforcement in all this, which is doubtful, then it is a peculiar one. The police should be extravagantly violent in their pursuit of the criminal, but the judicial agencies must exercise extreme leniency in the imposition of penalties. In other words, in English terms, the accused should be beaten up in the round call before the trial and given an unconditional discharge after it.

James Morgan is economics correspondent of the BBC World Service.



The perfect match: Linda Harrison and David Buck, with visiting cricketers at the Old Vicarage hotel in Hampshire

Minding Your Own Business

Sales pitch that fills rooms

Tim Minogue visits a hotel that found success by creating its own cricket square

Encouraging parties of amateur cricketers to leave their wives and girlfriends at home for several days and stay in a hotel with a 24-hour bar sounds like a recipe for disaster. Hoteliers of a nervous dis-

position might imagine fragile profits shattering along with the crockery in the course of bachelors' boy's nights in. In fact, concentrating on catering for amateur cricket tours proved to be the salvation of Linda Harrison and David Buck's hotel business.

The couple, who both worked in marketing and conference organisation, impulsively purchased a 15-year lease on the seven-bedroom Old Vicarage Hotel in Hinton, Hampshire, for £72,000 in 1992.

The business was in receiver-ship, having lost £28,000 in the previous year. What made Buck and Harrison believe they could succeed where others had failed?

Harrison, who is 43, says: "None of the partners worked here. The restaurant had a bad reputation. There was little control over costs and the marketing was unprofessional."

Having cut costs and raised standards, Buck and Harrison played on the hotel's strengths: a quiet rural location, 10-acre garden, in the New Forest yet only a mile from the sea. Mailshots targeted potential customers. Yet, at the end of their first season, they were struggling to break even.

Buck, 42, says: "We realised that whatever we did, we were not going to make a living out of British holidaymakers."

Foreign visitors loved the place, but usually only stayed a night or two.

"What we needed," says Harrison, "was to find a niche - something no one else in the Forest was doing - that would guarantee room occupancy during the week."

In the summer of 1993, they took a lease on an overgrown neighbouring field with the idea of using it as a car park for wedding receptions. When he had cleared the chest-high nettles, however, Buck realised that he was standing in the middle of what could become, with imagination and hard

work, a delightful, rustic cricket oval. Could cricket be the niche they had been searching for?

A crude square was prepared and an advertisement placed in the *Cricketer* magazine, suggesting the hotel as a base for teams touring the area.

"We expected about six replies," says Buck. "We were astonished to receive more than 50 serious inquiries."

Within weeks, 25 cricket teams had booked to stay at the Old Vicarage in the 1994 season. Buck invited an old friend, former Hampshire county cricketer John Rice, to inspect the wicket. "His advice was to dig it up," Hampshire's groundsmen, at Southampton

Buck, who reached the pinnacle of his own cricketing career in the 1970s with three or four appearances as a fast bowler for Hampshire Second XI, was impressed by the enthusiasm if not the talent of his recruits, who range in age from 24 to 74 and include the hotel's chef, a couple of City types, an engineer, a roadworker, a toy maker and a retired man. Intensive coaching sessions are slowly paying dividends: Hinton's record to date is played 17, won three, lost 13, drawn one, compared with a 100 per cent record of defeats at the end of July.

Buck provides prospective touring teams with a fixture contact list for more than 100

local sides in Hampshire and Dorset. The bar, crammed with cricketers' memorabilia, stays open as late as the guests wish. Only on one occasion have victory celebrations got out of hand, when a 2am water fight ruined several mattresses.

Half of the teams which stayed at the Old Vicarage in 1994 have made firm bookings for 1995.

Harrison says: "The cricket enables us to plan ahead. We know we will have that cash flow in a year's time."

The couple believe that only two or three other hotels in Britain have their own cricket pitches. It is proving an attractive asset for corporate entertainment. Fleas, Lloyds Bank and Chase Manhattan Bank have all held staff cricket matches and barbecues at the Old Vicarage; another company plans to use the ground for an archery day.

Buck and Harrison expect to make a small profit this year on a turnover of about £130,000.

A bonus for Buck is that he gets to be captain of his own cricket team. He can afford to be more philosophical about losing than most skipper: "I like to see our visitors go home happy. Anyway, when they're won, they spend more at the bar."

The Old Vicarage Hotel, Lyndhurst Road, Hinton, nr Christchurch, BH23 7DR. Tel: 0125-277006.

'We needed to find a niche that would guarantee occupancy during the week'

Tinseltown's lost lustre

Continued from Page 1

with top women such as Roberts trailing gamely at \$8m.

So the star, having broken free from the old-style studio's ceiling wages and being further flattered by the ministrations of his publicity people, suddenly commands both the ego and the capital to initiate his projects.

However much the star's advisers may demure, dreadful films such as *Endless Hank* and *Johnny and Lat* have got made. And although the ego may land with a thud, the agents get their upfront "packaging" commissions and 10 per cent. And the star - such is the military power of modern Hollywood hype - is up and flying again before you can cry "Variety charts".

The great virtue of the old studios was that egos were kept in check. People knuckled under to the next film on the contract. And when they bowed to the studio's routine publicity demands, it was to a general defiance quite unlike the terrorism of today's PR work. As Deborah Kerr once remembered for me: "They would wheel us out for an hour or so to pose for magazine covers - green background for this magazine, pink for that one - or to chatter about how we kept our cold cream in the ice-box. Then back to the movies."

Today it is not this benign exposure that counts in PR work, but the cult of near-mystical shyness. The modern publicist's job is to preserve the idea of the star, or star director, as above us all: and to gloss over minor failings from the sky. (Pop movies often mysteriously vanish from later publicity-packs about a film personality.) Hollywood press agents have



John Goodman as Fred Flintstone

become known as "sup-press" agents for their ability to preserve this myth of unattainability.

So big Hollywood movies, powered by their stars' artificially-generated rarity value, are made to seem like visits from an extraterrestrial. It hardly matters whether the films themselves are good or bad: that rarity value invariably makes them an "event". And when the star designs to fly to Earth once a year to open his new film, the PR people surround him and the picture with an entire ecology of support iconography. *Batman* T-shirts for Tim Burton/Nicholson's offering; *Flintstone* toys for Spielberg's latest; a whole playground arsenal for Arnie's new actioner...

Edward Pressman, the independent producer who has rolled out high-visibility films as diverse as *Conan The Barbarian*, *JFK* and *Reversal Of Fortune*, thinks the age of the ego, encouraged by agents and publicists, has its compensations. "There

is a level of talent and idiosyncrasy that didn't exist in the old Hollywood," he tells me. "You could say the quality of mainstream movies that the studio factories made, was more consistent. But it's compensated for today by a lot of films that would never have been made then: experimental films, ones that break the mould."

Point taken: but it applies more to the low-cost end of the market than the high. (Even *Schindler's List* was a shoestring operation by Spielberg standards.) What we have at the high end is star egomania eternally demanding more money, via the agent, and more image-enhancement, via the publicist.

In a word, hype. The same hype that causes millions of gullible film fans to flock to movies like this summer's movies so freighted with star names or so pre-publicised as happenings that no one realises - until they have paid \$100m to push *The Flintstones* or *Maverick* or *True Lies* into profit - that the films are as imitative, overblown and perishable as carnival floats.

What do the agents care? They take the money (up-front) and run. What do the publicists care? The triumph of their art is written in the ledger books. And what does the "talent" care? It thinks it is God anyway. Everything tells it so, from the people it employs, to the film-goers hyped into overpaying for its films.

If it is a mad world, it is one with its own disarming logic. When MGM mogul Louis B. Mayer saw trouble coming back in those star-enfranchising 1940s - "The lunatics are taking over the asylum" - little could he have guessed at the perfect mutual support which would evolve decades later, between those hmetics and their Lotusland lackeys.

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PERSPECTIVES

The sentimental way to pick a Rose

Lucy Kellaway visits Tralee and watches a 23-year-old capture one of the most bizarre prizes on offer to women in the 1990s

She is a 23-year-old with ginger hair, a job in tourism and a liking for padded party frocks in blue satin. She was head girl at her school in Limerick, is a dutiful daughter and is looking for a husband strong enough to carry the harp that she plays for charity.

This admirable young woman has just become the owner of a gilded crown studded with fake emeralds and diamonds and a large ornate glass trophy. Muirne Hurley is what every pure young Irish lass would love to be the 1994 Rose of Tralee.

This must be one of the most bizarre prizes on offer to women in the 1990s. The beauty contest, now in its 36th year, is open only to those of Irish extraction. The winner is supposedly chosen not for her vital statistics, but for her ability to "just be herself" - whatever that means.

Nevertheless, there was not a single fatty, nor a set of buck teeth among the 1994 crop of 32 competing Roses. They had come to Ireland from all over the world - from the US to Dubai to New Zealand.

Their parents may have escaped from Irish poverty, but their offspring are delighted to return, gushing over the charms of the mother country in the hope of winning the title. Most of them were more than blimms: some had a university degree, others were tax consultants, investment advisers, vets, and journalists.

Yet each was prepared to stand on the stage and sip, alongside Gay Byrne, a 60-year-old smoothie who is the best loved personality on Irish telly.

Comfortable in their vulgar array of evening attire, they cheerfully replied to Byrne's questions about whether they had boyfriends, and what their daddies did for a living.

Those who could, then did a little jig, sang a song or recited a poem. Even those who could not had a go: one gave an alarmingly flat rendering of *The Streets of London*. Another got into a sorry muddle over the passage she had selected from *Under Milk Wood*.

But the audience loved it. More than half of the women in Ireland were glued to their TV sets watching the contest. The rest were presumably in the betting shop, initially putting money on the Adelaide Rose, a petite dyed blonde with a big white smile.

But when Muirne Hurley came on, and in particular when her eyed father stood up in the audience for an impromptu serenade the hot money switched.

He sang in rich baritone the moving words: "Though lovely and fair as the rose of summer, yet 'twas not her beauty alone that won me/ Oh no, 'twas the truth in her eyes ever dawning/ That made me love Mary, the Rose of Tralee".

The people of Ireland know a winner when they see one, having



In search of a husband strong enough to carry her harp: Muirne Hurley, the 1994 Rose of Tralee, chosen for her ability to "just be herself"

watched this annual display of sentimentality for more than three decades. Within minutes the odds on the Limerick Rose had shortened from 12-1 to 3-1.

There is an implicit code of conduct that Roses only break at their peril. The Boston Rose did herself no favours by boasting about the paper she had written on the politics of Northern Ireland. The Belgian Rose should never have admitted that if she saw a man she fancied she invited him out. When it comes to "just being herself", it seems a Rose can go too far.

More important still, Roses must

not be seen to be competitive. They have to keep up the pretence that simply being in Tralee (a workaday town in Kerry) for a week of trips to distant hotels to shake the hand of ex-prime minister Charles Haughey is prize enough.

They must not drink or smoke in public. They are expected to pick at their food: indeed when the Galway Rose put away a large heaping of lemon pie and cream at one of the main banquets the story was reported in the Irish Times.

Neither must they read the newspapers. It is feared that if the Roses read everything written about them

- most papers carried several pages of fulsome copy and glamorous pictures every day of the festival - they might be left with no time to fulfil their busy schedules.

Try as it might to recreate an age of sentimental innocence, Tralee could not quite keep the modern world at bay during the week. While the Roses batted their eyelids inside the festival dome on the streets of Tralee a booze-up was taking place on a scale remarkable even by Irish standards.

Young lads poured into the town's camping sites and pitched their tents in preparation for a

week of dedicated drinking. One got so over-excited as he watched the Limerick Rose being crowned that he took off all his clothes and mounted the statue in the town square. That poor chap is now facing a prison sentence for his moment of abandonment.

Even more shaming, two of the nice Irish boys given the job of chaperoning the Roses during the week disgraced themselves. One got woefully drunk, and another was caught in bed with a young woman (mercifully not his Rose, whom he had safely escorted back to her hotel by midnight).

Another regrettable incident was the photo opportunity for the first ever black Rose. With an almost touching lack of political correctness photographers had her pose with a pint of Guinness, with a view to a "Black on Black" picture caption.

All hell broke loose among the festival committee - a gang of five officious pale green jacketed locals, headed by a Bill Looney.

They were offended not just at the association with alcohol, but also because the Roses must not be seen to advertise anything.

But most sobering of all was

when the Washington Rose was made to relate the tale of how her two cousins had been gang raped and murdered, and how her brother - who was trying to save them - was charged by an incompetent policeman with having killed them. This grotesque story made the cheerful chatter that followed even harder to swallow than before.

Still, on the whole the week was deemed to be the greatest success - nearly £3m poured into the town that week, and if much of that was spent on booze it should not bother the chief sponsor of the event: Guinness.

On holiday with my brain cells

Christian Tyler explains why getting away from it all is harder than you think

The first apparition materialised at a café opposite San Sepolcro cathedral. My wife scribbled a note and held it up to my nose. "DO NOT STARE," it said. "The man at the next table is John Cleese."

I turned and stared. "It can't be," I hissed. "What's he doing here?" She hissed back: "What are you doing here?"

The second shade was standing disconsolately in a scrum of Italian housewives at the delicatessen counter of the Co-op. It looked strangely like Professor Bill Wedderburn, the eminent labour lawyer and Marxist peer. I stepped forward: "Well, if it isn't..." It was. So we retired to the bar with our trolleys for a beer.

When the third manifestation occurred a few days later I began to wonder what agency was sending them, and why. This phantasm was tucking into a *tutti frutti* ice-cream opposite the Minerva temple in Assisi.

I nudged my brother-in-law. "Is that who I think it is?" "*Madre di Dio!*" he exclaimed (or something like it). "It's Kenneth Clarke." We decided on balance, being sensitive souls, to leave him in peace with his pudding.

We like to say that we shun other tourists, especially our own compatriots. Yet I was surprised to feel a pang of solidarity with these fellow escapees from the little off-shore island on the rim of the Eurasian landmass.

There seemed to be a message in the coincidences. But what were the wraith-messengers trying to tell me? Surely it was something more profound than that middle-aged swingers take their holidays east of

Assisi? And why were they so difficult to recognise?

Back at home again, the answer seems obvious: *We were all in the wrong place*. In other words, you may pack your possessions and your children, put the cat in a boarding house, lock the front door and drive 1,000 miles. But you cannot take your brain cells on holiday. Transport your body, soul and senses where you please; your cerebral cortex remains helplessly wired into its own version of reality.

For the first week the brain refuses to leave home at all: it must be distracted with the minor tasks involved in living in a foreign place. In the second week it begins to sur-

render and take an interest in its new surroundings. But by the beginning of the third (if you are wise enough to take three weeks) it is already making ready to return.

Our desire for total dislocation was not entirely vain. Spread-eagled by the heat on an Umbrian hillside, lost to view round the last hairpin bend, it was easy to cultivate the illusion of escape. But the substitute reality of rural middle Italy remained as elusive as the tree frogs whose telephonic trilling filled the nights.

The body was a willing slave to lassitude, the spirit succumbed. And then the brain piped up: "When do the banks shut?" Is there

enough milk for the morning? Hell! It's half-day closing. And the well is running dry... Dear God, will it never rain?"

There are stratagems for this condition. One can play at living the peasant life - up at dawn, walk round the fields of sunflowers browning in the sun, inspect the tobacco plants being expensively watered from the reservoir, scramble indoors out of the sun to read, eat and doze until it is time to open the first bottle of the night.

But the town's rustic roots are too deeply buried and his agricultural memory has atrophied. A former ambassador to Tokyo once told me that when a foreigner says to you he understands the Japanese

it means he has become Japanese.

That voluntarily displaced person, the holidaymaker, can live like a peasant only by becoming a peasant, which - if he has any sense - is the thing furthest from his mind. So while his eye is delighting in the scene from his vine-clad terrace his cortex is probably calculating how much European Union subsidy he has personally contributed to create such charming effects.

Macbeth was wrong: returning is not more tedious than going over, even if the first encounter with native British reality can be a shock.

My heart sank to my deckshoes at the sight of the newspaper headline

on the Channel ferry: "Princess Di in phone leak probe". Was nothing else happening in my real world? Lord Archer was still in trouble over his share dealings. The replacement royal yacht Britannia was to be hawked around to corporate sponsors and former Page Three girl Samantha Fox had discovered Jesus.

The only piece of genuine news was simply incredible - that the IRA was about to declare a ceasefire in Northern Ireland.

"Good holiday?" they ask you kindly as you mooch into the office. Yes, thanks. Great. (And it was). "Glad to be back, ha, ha," they roll the eyes heavenward and twist the face into a grimace of simulated pain.

It is a foolish convention, it convines at the strange superstition that we must never admit, because of the huge investment we have made in going away, that coming home is a real pleasure.

The temptations of Utopia

One hundred years ago this summer, two dozen Europeans of different nationalities, members of "The Freeland Association", attempted - and failed - to establish a Utopian "Freeland" in East Africa, on the slopes of Mount Kenya.

Not that they ever got within sight of that wonderful mountain which sits on the Equator - they never set foot beyond the exotic Indian Ocean island of Lamu, where they arrived on All Pools Day, 1894, and sat there sweltering in the Big Bains for three months before they gave up.

Their expedition is remembered today only as one of the smallest footnotes of colonial history, forgotten almost at once by the chancelleries of Europe and by the people of Lamu. But the story of Freeland, inasmuch as we can rescue it from obscurity, has its own cue from obscurity, coming as it did just before a century whose political history was to be dominated by the great Marxist experiments.

It was just one of countless examples of our human attraction to Utopias: the Freelanders were a very minor example of the phenomenon, a ridiculously tiny group in comparison with the millions who were to be involved in the Marxist revolutions, but their story illustrates the temptation, and the inevitable frustration, of the journey.

The Freeland movement flourished briefly in Europe in the early 1890s under the inspiration of Dr Theodor Hertzka, a not-too-nutty Austrian economist and visionary who, in an extraordinary book *Freeland: A Social Anticipation*, described in extreme detail how a new and splendid community might be achieved if interest rates were abolished and land held in common.

He chose to describe this revolutionary social order - which was to be accompanied by a host of other high-minded reforms - by setting it in the hinterland of East Africa, which he apparently assumed was under-populated and therefore available to newcomers.

The Freeland movement managed to attract adherents from across the fringes of radical Europe - anarchists alarmed by the police crackdown throughout the continent, revolutionaries on the brink of admitting defeat, socialist idealists disillusioned by the drift into conventional and cautious political processes - and, it seems, more sober citizens who were looking for a new life.

Astonishingly, Dr Hertzka managed to persuade the Foreign Office in London to grant permission to

the Freeland Association to send a pioneer party to establish a settlement near Mount Kenya: hence the arrival of 25 Austrians, German, English, French, Dutch and Scandinavian members, of whom two were women, on Lamu Island on April 1.

"Freeland" shared many of the characteristics of Utopian movements worldwide and across the centuries. For instance, its adher-

ents were inspired by the vision of a single leader or sage - the counterpart of Karl Marx, the said Dr Hertzka, of whom little else has been remembered. Dr Hertzka had never been anywhere near East Africa - though he must have read the self-regarding memoirs of Carl Peters, the vicious German imperial adventurer of the time - but he does not hesitate to expound, over hundreds of pages, a ridiculous farago of fantasies about life on the African savannah: zebras will be trained to draw carriages, elephants will be amenable

to domesticity like their Indian counterparts, the Masai maidens will embrace chastity, their warriors will lay down their spears and don tunics of Grecian style, criminals will reform, wives will be faithful, drunkenness will vanish, nihilism will wither away, hundreds of thousands of European disciples will soon flock to Freeland. There were plenty of people who read the good doctor's prophecies

of their age. This was a decade when millions of people were leaving Europe to make a new life overseas - in the United States, in South America, in the Antipodes, in Southern Africa. Many of these millions, probably most, left the poverty and impediments of Europe in order to seek economic success.

The Freelanders were not like this: they left Europe in order to

which they proposed to use as their route to the Highlands (utterly unrealistically because the Tana is not navigable) was in flood; the wild behaviour of their members offended the local community, which was and is strictly Islamic, with the women in deep purdah.

There is today only the faintest folk memory of the Freelanders on the island: they are remembered for urinating from the rooftops on to the pedestrians in the narrow streets, for shooting water pots off the heads of servant girls, for carousing and drinking and for the immodest dress of the women.

They hung around in Lamu for a few months, their morals and their behaviour degenerating in the uncomfortable heat of the "off" season, until the British authorities lost patience and ordered the cancellation of the expedition and the disbandment of their association.

Some of the Freelanders went home, where Dr Hertzka, who had not actually accompanied his disciples, admitted the failure of his Utopia: rather more of them went elsewhere in Africa, to Tanganyika, Rwanda, Mashonaland, the Transvaal.

Perhaps some of them could not face going home after such a rapid

humiliation, perhaps some of them could not risk it - an expedition of this sort would have included adventurers and rogues as well as idealists and socialists.

So the Freelanders were soon forgotten. But the moral of this tiny episode, this abortion of an equatorial jaunt by a small bunch of fantasists, niggles away. If these Utopian projects seem invariably to fail, why have there been so many?

What is it in the make-up of morally-aware and not-necessarily-foolish people that tempts us to venture out so rashly to seek to make a reality out of manifest fiction? Did the Freelanders seriously think that the African tribes of the Kenya Highlands would welcome them? The explanation must be that it is too easy to invent Utopias, to dream. Occasionally that dream is so persuasive that it comes to be implemented and offered up to the experience of reality. Always, the dream fails, whether of Dr Hertzka or Karl Marx, Freeland or Soviet Russia, the Third Reich or Apartheid.

Better to be Plato or More, Fourier or Butler, Proudhon or Morris, Bacon or Coleridge, and remain in the library. Dr Hertzka's tragedy was that, in the summer of 1894, Freeland was essayed.

■ Freeland, a novel by JDF Jones based on these events of 1894, has been published by Sinclair-Stevenson (£14.95).

In search of a perfect world, 25 'Freelanders' set sail for Africa 100 years ago. J.D.F. Jones tells how it all ended in disaster

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The Freelanders were not like this: they left Europe in order to

get away from the norms and ambitions of bourgeois society; they were trying to start again.

Of course, "Freeland" was a disaster. The detail of what happened has been lost but we know that the pioneer expedition never managed to get away from Lamu - an island whose exotic and decadent charms have been famous in the Indian Ocean for centuries (the local specialty, then as now, was transvestites).

The Freelanders had arrived at the wrong time of year; the rains were imminent; the Tana River

HOW TO SPEND IT

The easyish guide to mobile happiness

Some portable telephones are getting cheaper but there are hidden costs. Peter Knight offers a 10-step guide to talking on the move

If you thought buying a personal pension was a nightmare, try getting the best deal on a mobile telephone. Beginners who want to understand the complexities of the business have three options, in ascending order of easiness:

■ First, read this article very carefully. Next, ask a series of questions of the smart people (in every sense) who want to sell you a telephone. Then, work out (preferably, with a spreadsheet) what is best for you.

■ Second, abandon this article, decide what advertisement you like best (some fancy the Mercury woman with a gap in her teeth, others prefer the minimalism of the Orange ads, while the bargain hunters love the cheap giveaway deals found in the local paper).

Go for the image you like best and the sexiest telephone available - you can assume it is going to cost a fortune, anyway.

■ Third, and quite the best, persuade your boss, spouse or rich, dotting lover to give you a mobile telephone with a written promise to pay the bills.

Since the first mobile phones were introduced a decade ago, talking on the move has progressed from being strikingly unusual to socially gauche and now, oh so ordinary.

While owning a mobile (it's never referred to as anything but a "mobile") might not make you different, it can certainly improve your life. But no matter what deal you strike on these gadgets, if you are paying the bills, it is going to cost you more than owning an ordinary phone - at least £150 a year without counting the cost of the phone or the calls.

Even so, with judicious use and firm discipline to curb excessive chatting, you can escape relatively lightly - from around £300 a year (plus VAT), as the table shows. Just follow our 10 steps to mobile happiness.

10 STEPS TO MOBILE HAPPINESS

1. Understand that you are buying a service, not a phone.

The money in the mobile phone business is made primarily by selling air time (the call costs), not the telephones. Handsets can be bought without an air-time contract, but they are then very expensive. The price of most hand portables is subsidised by the companies selling air time, as an inducement to sign up for one of the many options available from the four operators: Cellnet, Vodafone, Mercury One-2-One, and Orange.

2. Navigate through the mobile maze. Mobile telephones (hand portables and car-phones) work on a radio system. Each operator has set up transmitters and receivers throughout their area of coverage (usually on tall buildings) in interlinked "cells",

Operator	Monthly Charge (£)	Low User*	High User*
Cellnet Primetime	25	438	785
Cellnet Lifetime	12.77	372	934
Cellnet Citytime	20	408	873
Vodafone Business	25	438	785
Vodafone LowCall	12.77	372	934
Vodafone Capitalcall	20	408	873
Vodafone Eurodigital	25	438	785
Vodafone Metrodigital	20	408	873
Mercury One-2-One	17.50	375	853
Business Personal	12.50	330	889
Orange Talk 15	15 (inc 15 mins free)	330	852
Orange Talk 60	25 (inc 60 mins free)	381	836
Orange Talk 200	50 (inc 200 mins free)	681	881
Orange Talk 360	75 (inc 360 mins free)	981	882
Orange Talk 540	100 (inc 540 mins free)	1,281	1,280

* Average total cost (including calls, monthly charges, and cost of purchasing the set) in £ per year over three years (excluding VAT). Low user: 50 minutes a month (25 mins off-peak). High user: 150 minutes a month (10 mins off-peak).

Source: European Cellular Tariffs, published by The X25 Partnership.

hence the term cellular radio.

When you make a call your mobile phone transmits the conversation to a nearby receiver which routes it to the operator. The call is then routed to its destination, either another portable or into the main BT network of cables. The system works the same in reverse, with the operator's computers keeping a track on your phone as it moves from call to call.

To encourage competition, the government set up a system that shared the spoils between the network operators and middlemen, called service providers. The service providers buy air time wholesale from the operators and then sell it on to you, either directly or through a retailer. Your contract is with a service provider. Network operators are now allowed to sell air time directly too.

3. Decide where you want to make and receive calls.

Your needs could simplify your choices. Only two networks - Vodafone and Cellnet - offer a Europe-wide coverage on what's called GSM. This is a technical standard that allows you to make and receive calls in most European countries and some others, such as Australia and South Africa. The same operators are the only ones to offer near-nationwide coverage in the UK, which is important if you intend to use the phone away from the big towns and cities.

All the networks offer services in London and the south-east. Mercury One-2-One started there and is extending to other English metropolitan centres. Orange started in all the large English and Scottish cities and is extending its coverage to 90 per cent of the population by the middle of next year.

Remember that you can call anywhere in the world on any of the services, as long as you are within

their demarcated reception boundaries. Once you leave their area, the phone is useless.

If you want a mobile for security in case you should break down or get lost while driving, members of the AA can buy its Callsafe system. This is a mobile phone that can only be used to call the AA or the emergency services. It is expensive but may be worth it for the peace of mind. It costs £149.99 for the phone, £28 for a contract fee and £26.50 per quarter. The calls are free.

4. If you want privacy, go Digital.

There are two types of system, analogue (the original) and digital. Both offer high quality sound and reception when they are working well. Both suffer from bad reception. The digital service, although considered technically superior, can make you sound rather Dalek-like at times. If you do not want eavesdroppers (remember the Princess Diana "Squidgy" calls?) then go digital because it is far more secure. Digital is essential for secret agents (although your whereabouts could be tracked) and anyone involved in an extra-marital affair.

5. Estimate how much - and when - you intend to use the phone.

The methods used to charge for air time are complex and confusing. Before you pay for calls, you have to settle a one-off connection fee (from £25-£50) and then pay a monthly standing charge (from £12.77-£100). The differences in tariffs are essentially between the "business" packages (medium monthly fee, high call charges) and packages aimed at the social caller (low monthly fee, high call charges at peak times).

There are many variations on the theme, including inducements of free calls. Mercury gives free local calls

after seven in the evening. Orange provides five different "price plans" in which it offers from 15 to 540 minutes free. Some charges are rounded up to the nearest half-minute while others, from Orange, are charged per second. It is virtually impossible for those who have never owned a mobile phone to know how much they will use it. Some users have found that the phone changes the way they work, allowing much more mobility. This makes it exceedingly difficult to choose the right tariff package, so check if there is a charge in case you want to move from one package to another on the same system.

The producers of the Financial Times newsletter Mobile Communications have computed the total cost of the various options over a three-year period. "We made some assumptions on the amount of calls made and then worked out the cost, including the price of the cheapest hand portable available on the service," says editor Neil McCartney.

"The cheapest countries for cellular telephone service are in Scandinavia but because there's a lot more competition in the UK market now, we are the fifth cheapest country in Europe. Germany, France and Spain are a lot more expensive."

European Cellular Tariffs, published by The X25 Partnership, has done some useful work comparing the costs of using the leading operators. The table published here shows the average cost per year over three years for low users and high users and does at least provide some help to those trying to get straight answers to the complicated question of costs.

6. Beware of cheap 'phones.

Advertisements for cheap phones are misleading. The chances are that the phones will be yesterday's technology but even if not, the "bargain" phone is being subsidised to attract customers for the air time. Look for the right tariff package first and then see what phones are available. Remember the phones have to conform to the technical standards of the operator.

7. Do not be seduced by sexy looks.

They have not squeezed the technology into a wristwatch yet, but hand portables have shrunk quite dramatically since the early days. Some, such as the Sony CM-R 111, can be put in a pocket without breaking the stitching. But there are inevitable trade-offs between size, weight, functions and performance.

The capacity of batteries is still a problem - the smaller the phone, the smaller the battery and that means you have to carry a spare. Check too that the smaller phones are easy to use and have the power to work well when you are on the fringe of an operator's transmission boundary.

Unless you always carry a briefcase, some phones can be rather heavy to carry around in a pocket or handbag. The Swatch, for example, is 385g, the Mercury M200 is 370g and the Nokia 1011 is 470 gm. The Sony CM-R 111 is only 185g.

Which? magazine tested 19 mobile phones. Its recommendations are: □ Analogue: Mitsubishi MT-7, Nokia 101, People's Phone CTN 6000 and for occasional use, the Sony CM-R 333.

□ Digital: Mercury M400 and the Nokia Orange. For GSM (Europe-wide service) the Motorola Micro TAC International 5200 is recommended.

However, other phones have been launched since Which? did its tests.

8. Watch out for thieves. Mobiles are highly prized and some thieves specialise in snatching them from queueing cars at traffic lights. Make sure yours is insured. This is doubly important because you will have to buy a replacement at a non-subsidised price, or pay a penalty for cancelling your contract.

9. Read the contract carefully.

The contract with the service provider will bind you to using the service for a set time (usually a year, but it could be more). There will be penalties if you want to give it up or move to another tariff package. Make sure you know what you are signing because the consequences can be costly. Look for opt-out clauses for bad service from the operator.

10. Watch that recall button.

Many marital miscreants have been caught out by their spouse after programming 0 as the quick-dial to their lovers. You have been warned.



Women seize control of their cleavages

Avril Groom on how modern bras can be used to flatten and flatter

I recently met a man who claimed he could bestow a cleavage on even the most meagrely-endowed woman. He worked for a lingerie company and he was talking about bra design, which today seems to be a branch of structural engineering.

Underwear that reflects, and even flattens, your real shape is no longer enough. Now you can be twice, or alternatively half, the woman you thought you were. That well-known company slogan about "the bra for the way you are" needs rewriting. Now you are the way your bra is.

The push-me-up, pull-you-in school of bra design achieves instantly - with Lycra and fine, flexible metal - far more natural illusions than those sought painfully and laboriously in the past with whalebone and binding.

Throughout history, women have managed to alter and enhance their shape, mostly at the dictates of fashion. The difference now is that a woman can change her shape as often as her clothes. The cleavage-enhancing, underwired, padded bra that defines the décolleté of an evening gown would look simply vulgar under a skinny cropped T-shirt. For this, all but the smallest need a minimiser which, in bra-speak, reduces the bust's projection.

The idea that a woman can change her shape implies that she has a large selection of bras, which is very good for business. Several bra companies report sales in the first half of this year up by 25 per cent over the same period last year, with sales of the type that make you look larger increasing fastest.

You might expect the reverse, as women and their

busts are getting bigger, due to the modern diet's higher protein content and, according to some theorists, the cumulative effect of the contraceptive pill taken by women whose mothers also took it.

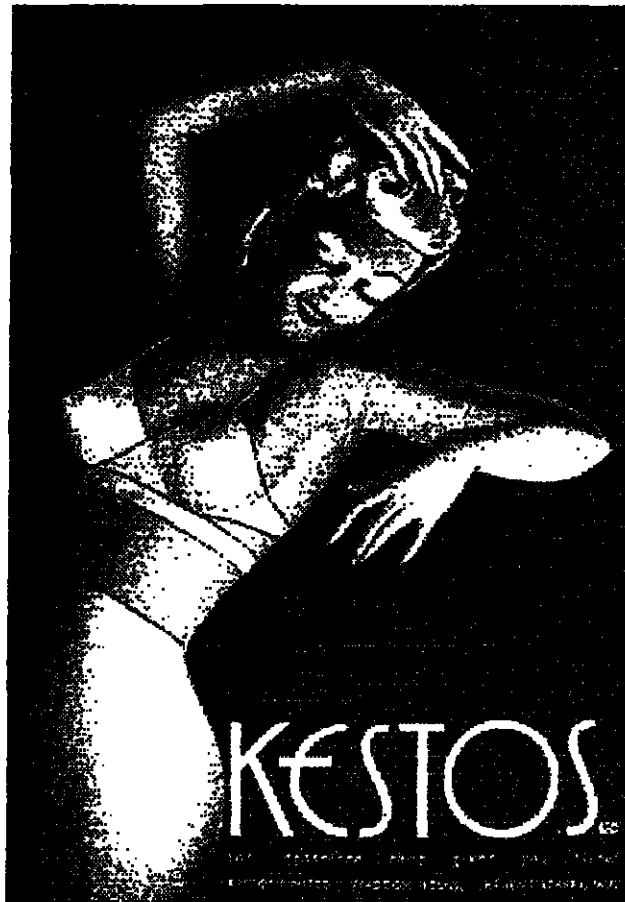
I have always regarded my unremarkable 34B figure as average and so it might have been 20 years ago. But now 32C is the norm and firms such as Berlei are producing bras with hitherto unimagined G cups - yet 30 years ago the DD cup was regarded as revolutionary.

Men are noticeably uncomfortable about this trend, which perhaps explains the boom in Wonderbras. Ultrabras et al. It seems we are following the lead of the US, where women are bigger and men are glad of it. In the race for sexual selection big breasts, to put it bluntly, still count.

Traditionally, the lingerie business itself has been dominated by men. This, quite rightly, is changing. Companies such as Gossard and Berlei now have predominantly female teams, even on the design and structure side.

Yet fashion is firmly on the men's side. After three seasons of the waif, and the fragile bias-cut layers that go with her, the full-bodied voluptuousness is back with a vengeance in her corset tops and hour-glass jackets. This was seen clearly on the catwalk, where it was demonstrated by hitherto string-bean supermodels who, overnight and mostly without the aid of implants, had developed swelling *embellishments*, giving credence to my bra company friend's theory of cleavages.

If they can do it, so can anybody. So I decided to test the



Miracles of engineering: modern bras can augment or minimise

bra business in two categories - minimisers under a clingy T-shirt, and augmenters under a soft, low-necked shirt. The results were varied, instructive and not always flattering. At least one in each section really worked, though it is a clever minimiser that does not put the unwanted "extra" under your armpits.

And augmenters really are built for the new average woman rather than me. Even with the best, to look like the girl on the packet, I still have to fold my arms and squeeze hard.

Minimisers These are either specific projection-reducers or sports bra styles meant to give a smooth,

flattering line under clingy clothes.

□ Playtex Super Look Secrets Cotton Classic. Seamless, 32-36A, 32-36B and C, £15.99 from department stores. Lifts bust up and outwards. A smooth, natural line with a slight cleavage but a bit flimsy.

□ Triumph Sport Tri-Action 3001, cotton jersey, front fastening, racing back. Sizes 32-38A, 32-44B-D, £14.50 from department stores. Flattens but points slightly downwards; a bit depressing. Very plain, good under see-through layers.

□ Berlei Cascade Minimiser, cotton/elastane, sizes 34-42, C-E, from £13.99, from department stores. A serious supporter, heavily underwired for separation. Spreads bust outwards but augmented rather than reduced mine.

□ Marks and Spencer Minimiser, polyamide/elastane, sizes 32-36B-E, 38C-E, 40C-DD £14. Spreads bust effectively but heavy underwire keeps underarm line smooth. Lacy finish tricky under clingy clothes.

□ Berlei Fitness Bra, nylon/cotton/elastane, sizes 32-38 B-D, £17.99 from Fenwick, New Bond Street, W1. Double-layer jersey crop top with subtle seaming, not cups. Pull-on, racing back. Very smooth outline, flattens well, but the larger bodied would need more support.

tion and a flattering, youthful line.

Augmenters □ Triumph Bijou, soft lace, sizes 32-36A-C, £17.99, from large stores. Underwired, removable pads. All up front; narrows the bust in and up. □ Playtex Wonderbra Balconette, sizes 32-36A, 32-38B and C, £14.99 from department stores. Hennes and Top Shop branches. Underwired, removable pads. Pushes up and out. Good with a low-cut evening dress but ledge effect on upper half of bust.

□ Berlei Petite, nylon/viscose/cotton/elastane, sizes 30-36AA and B, 30-38A, £15.99 from department stores. Underwired, padded all over. Keeps natural shape but can look as if you have put on weight. An instant matronly bosom.

□ Berlei Demi-Wire, nylon/elastane lace, sizes 32-42B-D, 32-40DD-F, from £18.99, available in October. Semi-underwired following natural shape, soft lace. Very comfortable, gives you uplift but no increase in cleavage.

□ Marks and Spencer Padded Plunge Bra, polyamide/polyester lace, sizes 32-36AA, 32-38A-B, 34-36C, £14. Padded all over. A natural outline that appears to be all your own. Extra padding supplied but ineffective.

□ Lejaby, sizes 32-38, B-C, £37.95 from Fenwick. Underwired, padded undercup. Strangely pre-formed and produces an artificial line. Overpriced.

□ Gossard Ultrabra, sizes 32-38A-C, £14.99 from Fenwick, Harrods, John Lewis and House of Fraser. Underwired, padded, removable extra padding. Instant Jessica Rabbit. Goes further, higher than any other with a surprisingly smooth outline and remains comfortable. Top marks.

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Golf/Derek Lawrenson

The golden oldies

It was called the sporting success story of the 1980s, but that was nothing compared to what senior golf has achieved in the 1990s. In 1994, the US Senior tour has expanded to the point where there are no longer enough weeks in the year to cope with all the companies queuing up to endorse tournaments.

Consequently, while every other tour in the world worries about keeping hold of what it has, the seniors worry about how long they can keep sponsors on their waiting list. When it began life on December 16 1980, there were two tournaments offering total prize money of \$140,000. Today, there are 44 events worth \$25m.

"I always thought the senior tour would do well but it has gone beyond my comprehension now," said Gary Player.

This is the world that Tony Jacklin has joined and already he has touched gold, winning a tournament within five weeks of reaching 50, the age of eligibility.

On the regular tour, the players are always complaining about bad backs and bad wrists or some such ailment. On the senior tour, they are walking models of fitness, too busy making money to worry about a bad back, too tied up hitting balls on the practice ground in case the magic suddenly disappears.

The senior tour has predictably made millions for people who were not exactly short of cash anyway, golfers such as Lee Trevino, Raymond Floyd and Jack Nicklaus.

But there are some lovely stories too. Bob Murphy gave up playing on the regular tour in 1987 owing to arthritis. Murphy's hands were so swollen with the disease that it became too painful to grip a club. Now Murphy is back playing. His motivation was the senior tour. So far he has won \$1m and counting.

Then there's Jay Sigel, a name that will be familiar to those who follow amateur golf. Indeed Sigel was America's greatest amateur since Bobby Jones, but having done all he could in that branch of the sport, he finally decided, at the age of 50, to turn professional. Sigel has not yet to a pro for 12 months but he has already won \$300,000.

Jim Albis may be the most remarkable story of all. He played for a couple of years on the regular tour in the 1960s and made precisely \$2,000. He packed up and became a

club professional.

There he stayed for 25 years before those old yearnings for tour life and travel started getting to him once more and in 1991 he packed his belongings and headed for the senior tour's qualifying school. He got his card, and enjoyed his new life so much in 1992 that he played in every event. He has been rather more successful this time, too. He has made more than \$1.5m to date.

Given the length of Albis's lay-off, perhaps it was not that extraordinary that Jacklin could rid himself so quickly of 10 years of rust.

But do all these stories indicate a lack of quality in the golf played? Far from it. I attended the recent Ford Senior Player's Championship in Detroit, where the course on

Gary Player: 'I always thought the senior tour would do well but it has gone beyond my comprehension now.'

which the tournament was played measured just under 6,900 yards.

Admittedly, it was nowhere near as stringent as that upon which the US Open at Oakmont was played, however. "The fairways at Oakmont were faster than these greens," said Jack Nicklaus.

Even so, it was set up in such a way that I, an eight handicapper, would have been delighted to have gone round in anything under 88 (at Oakmont, I would have been thrilled to have broken 100). On the first day, a third of the field broke 70.

Jacklin's preparation for senior life perhaps provides an answer as to why the standard is so high. Six months before joining the tour, he gave up his handsome mansion in the Scottish Highlands to go and live in Florida - where he could practise every day, and play in some satellite tour events.

It was just as well he prepared so thoroughly because the senior tour fields are restricted to 78 players each week. When the exempt players are taken into account and the four invitation spots (which is how Jacklin has been getting in) there

are usually only about four places left and these scraps are fed to the 100 or so hungry scavengers who take part in open qualifying every Monday.

None of this explains why the senior tour is so successful.

There are a number of reasons. The first is that the tour offers not one, but two pro-ams every week, so that the sponsors can invite twice as many clients to play with a top name.

Secondly, just look at some of the names who are over 50 and still playing: Player, Nicklaus, Trevino, Floyd, Arnold Palmer, Chi Chi Rodriguez. How could any tour fail to attract sponsors and spectators when offering such riches?

Outside the professional ranks, golf is a game largely played by the over 60s, and the decision makers in the boardrooms are invariably a similar age to the players on the senior tour. They have grown up with sporting icons such as Palmer and Nicklaus.

But there is something else as well. These players know how to work a crowd.

Here is an example: on the opening day in Detroit, golf's original big three, Player, Palmer and Nicklaus, had been drawn together for the first time on the senior tour.

The par four 11th hole offered the chance to play safe down the left and have a longish approach shot, or drive riskily over a ravine to the right but have a short iron to the green.

Player took out his driver, Palmer, summing up a career, went with the driver too, but Nicklaus, again true to form, played safe.

Uncharacteristically, he pulled his long-iron tee-shot into the rough.

There was silence. Nicklaus shook his head. "That was a darn bad shot," he said.

It was too much for Player. He said: "You're right, of course, Jack, but it was a crap decision to go with the iron in the first place and it deservedly resulted in a crap shot."

Everyone started laughing. Nicklaus did too. It was something one could relate to. They may have been three superstars but they were also three golfers who were enjoying a laugh and a joke. The senior tour is the only tour where you will find that camaraderie that is so much the heart and soul of what golf is about for most people.



Old adventure: Arnold Palmer, 65, in the rough at the British Seniors Open. Phil Long

American Football

49ers make the cap fit

A new American football year opens tomorrow, but if there was a prize for the best performance during the off-season, the National Football League would have crowned its champions already: the San Francisco 49ers.

Not because the 49ers had the best pre-season record. They won three out of four games, but two teams, the Chicago Bears and Indianapolis Colts, went undefeated in exhibition games.

But because of the team management's accomplishment in adding a formidable group of talented veterans to one of the most highly-paid rosters in the sport while keeping the payroll under the limit imposed by the NFL's new salary cap.

The salary cap is the cause of the US professional baseball players' strike. Unlike their counterparts in football, baseball players are not prepared to accept a limit on their pay. The NFL players' union last year accepted a ceiling on the total each team could pay its players in return for securing free agency - which allows players to move teams after a certain period in the league.

The difference between the NFL's salary cap and the cap proposed by the baseball owners, is the flexibility of the NFL system. There is a lot of "wiggle room" under the football cap, and no one has proved more adept at wiggleing than the 49ers.

At the end of last year, the team's total payroll exceeded \$40m. It seemed that they had to reduce salaries and/or shed players to fit under the \$34.6m (\$22m) cap the NFL had set for the 1994 season.

Today, however, the 49ers have all their top players from last year on long-term contracts, including stars such as quarterback Steve Young and wide receiver Jerry Rice. And they have five new players, each an established NFL star - on extended contracts. Yet the 49ers team payroll has dropped from more than \$40m to \$34.6m, just under the salary cap.

How did they do it? They started late last year by hurriedly signing several key players to lucrative "front-loaded" long-term contracts, which paid the players a lot of money for the 1993 season, and considerably less for subsequent ones.

By paying out so much money in 1993, before the cap came into effect, the 49ers left themselves considerable room to sign new players for 1994, year-one of the salary cap.

In basketball - the other sport with an existing salary cap - teams have fallen foul of the league authorities with this kind of creative accounting, but in football, the wiggle room leaves plenty of scope for creativity. As Carmen Polley, president of the 49ers, put it: "We wanted to be the hunters, not the hunted. We wanted to do what we could to manipulate the system, rather than have it control us."

After anchoring many of their best players to the team, the 49ers went hunting. They bagged several top free agents, including Super Bowl winners Ken Norton of the Dallas Cowboys and Richard Dent of the Chicago Bears, and veterans Rickey Jackson of the New Orleans Saints and Bart Oates of the New York Giants. It was no coincidence that all of the new signings were defenders, for the defence has been the chief weakness of the attack-oriented 49ers for the past few seasons.

Some of the money needed to pay the newcomers came from the release of well-paid reserve players, including Steve Bono, the back-up quarterback who so often deputised for injured stars such as Joe Montana and Steve Young. Also, the 49ers chose to hire a lot of relatively cheap "rookie" players fresh from university teams.

The result is a well-balanced team, a favourite to reach the Super Bowl in January. The only likely obstacle is the defending champions, the Cowboys, who beat the 49ers in the last two National Football Conference finals. The Cowboys, however, have lost their coach, Jimmy Johnson and several leading players including Norton.

Yet, the 49ers' policy of squeezing so much expensive talent under the salary cap involves a risk. Because the 49ers have let go so many veteran reserves and replaced them with mostly untested players, a team that was once renowned for its "depth" now has little insurance if its stars get injured. And in the NFL, that is quite a gamble.

Patrick Harverson

Equestrianism/Keith Wheatley

Jumping through flaming hoops

Whatever the weather, much of the talk at this weekend's Burghley Horse Trials will be of heat and humidity.

Most top event riders with an expectation of competing in the 1996 Olympics at Atlanta are at Burghley. So too is the equine veterinary research team whose expertise helped avoid catastrophe in the heatwave at the World Equestrian Games in the Netherlands last month.

In October, the scientists have to give advice on the International Equestrian Federation on how to conduct a safe three-day event in the near-tropical conditions of mid-summer Georgia. Opinions are polarising as to whether the whole enterprise is desirable or possible.

King William and Mary Thomson, a combination that has won Badminton and competed at the Barce-

lona Olympics, finished the WEG cross-country section with the horse on rubber legs. A heatwave pushed temperatures in The Hague to 36°C, with 90 per cent humidity. Thomson had to nurse the massive gelding, famous for his big-headedness, over the last few fences.

"He just could not cope with the humidity, like a lot of the larger horses. I had never seen him like that. He was very distressed and so was I," said Thomson, part of the gold medal-winning British team.

Although the pairing is likely to be well to the fore in the selectors' minds, the rider is adamant that the horse will not endure those condi-

tions again. "There is no way in the world I would take him to Atlanta," said Thomson.

Michael Clayton, editor of *Horse & Hound* magazine, has moved from scepticism to outright opposition over the Georgia venue.

"It is ridiculous. Every horseman knows it is too hot in Atlanta," said Clayton. "I am not a sentimental over horses, but the competitors are not sitting on skis or boats. These are living creatures."

He believes that the sports governing body agreed to the demands of the International Olympic Committee for a compact, one-site Games, because of apprehension

that the IOC hierarchy wished to drop equestrianism and would use any local difficulties as a lever.

Clayton says that the best decision would be a shift of venue to temperate New England or Pennsylvania. He attended the 1978 world championships in Lexington, Kentucky, and was appalled at the effect of extreme heat and humidity on the animals.

"Some of the top horses pushed hardest at Lexington were never any good again," said Clayton.

Many, indeed most, top event horses are no longer owned by their riders. As the sport's popularity and media profile increases, the ani-

mals increase in value to such an extent that they are sold to a sponsor.

The Burghley entry list gives a classic example. The printed form shows Mick Burton (son of former England rugby international Mike Burton) as owner/rider of Bartle Blunt. A last-minute handwritten addendum gives Mark Todd of New Zealand as rider, with his new sponsor Bond International (a large UK tyre distributor) as the owner.

Japanese interests scouted the stables at Burghley last year. When Brynley Powell's promising young horse I'm Sure went well around a demanding course, he was snapped

up and flown off to Tokyo.

Corporate backers may well be unwilling to hazard their equine investment in the stifling heat of a Confederate summer.

However, scientists such as Professor Leo Jeffcott of Cambridge University's veterinary department have been researching climatic stress in relation to eventing for nearly two years. He was in the Netherlands for the WEG and says that conditions there were at the margins of safety.

"We would not want the horses to become any more tired or hotter than they were at The Hague," said Jeffcott.

Beneath a giant marquee to provide shade, the horses were "aggressively cooled," as Jeffcott's report puts it. Six tons of ice and a battery of hoses were used.

Many of the same animals will be at Burghley, wired to transmit heart and temperature functions to the vets' computers. This data, plus a recent field test in Atlanta, will provide the basis for recommendations as to how the three-day event will need to be made less physically rigorous in Atlanta. Shorter tracks, lower fences, and longer rests are likely.

"There will be modifications but we are confident of keeping the horses safe," said Jeffcott.

Not everyone is content. Clayton questioned the value of medal won in "a bastardised event."

"This is basically a winter sport," he said. "You do not run an Alpine ski competition in July or a yacht race on a dry lake."

Motoring/Stuart Marshall

Hatchbacks rule Britain's roads

Britain's most popular type of car is a five-door hatchback - and that is official. The information comes from the Society of Motor Manufacturers and Traders, which also says that Britain's total car population grew to 23,402,347 at the end of last year - a 1.7 per cent increase on 1992 - while the total number of heavy lorries fell by 1.8 per cent to 536,459.

The society could have fooled me. An increase in the car population I can believe, if only because getting out of my drive and on to the main road takes longer, and is more hazardous, every year. But fewer lorries? There seem more of them around these days. They block two of three motorway lanes as they creep slowly past each other on hills, where commonsense dictates that overtaking should be forbidden, and they make their elephantine presence felt in country lanes and local high streets where they look like goods trains that have left the rails and taken to the tarmac.

The society's statistics reveal



For the super-charged family

Mazda's 626 D-CX (pictured) five-door hatchback is the first super-charged, as distinct from turbo-charged, diesel car to reach Britain, writes Stuart Marshall.

The air pump that improves performance is driven directly from the two-litre engine, not by a turbine in the exhaust gas stream. As a result, instant boost is available at low engine speeds.

The power-steered 626 D-CX drives with close to a petrol car's refinement and liveliness, has anti-lock brakes, a sweet five-speed gearbox, and gives more than 40 miles a gallon (6.89 l/100km).

At £13,395 - which includes electric windows, door mirrors, and aerial for the six-speaker audio system - it rates this comfortable, well equipped, family-size car an attractive buy.

made a big hatchback.

The large Renault 25 and its successor, the Safrane, are hatchbacks as is the Citroen XM, although this has a cunning double back window. One goes up with the tailgate; another - easily removable when required - stays in place.

Ford must have wished it had something like it when it introduced the present Granada (itself on the point of being replaced). Instead of continuing to offer four-door saloons and five-door estates, it said Granada buyers could have any kind of body they liked so long as it was a hatchback. (Old Henry Ford - "Any colour you like so long as it is black" - would have approved.)

The Granada's styling was an unhappy compromise around the rear end. More to the point, Ford lost business from fleet managers who had formerly bought Granada saloons to ferry senior people. When the chauffeur lifted the new model's tailgate to stow the luggage, the back seat passengers objected to being exposed to winter's icy blasts.

In the end, Ford did what it should have done in the first place - produced a Granada saloon and, eventually, an estate car. Even the largest companies live and learn.

The French may disagree, but body styling has polarised. As the society's figures reveal, cars for the masses are mainly hatchbacks. Senior people choose saloons as company cars. And for carrying capacity, there is still nothing like an estate.

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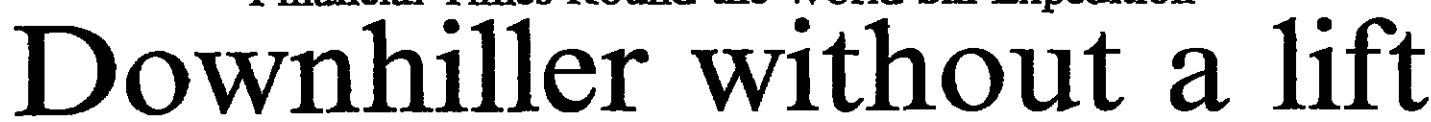
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For those with a taste for learning

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A bottle of Spanish Australian

But I find it unsettling when "local talent" and actual location are blatantly ignored in favour of a commercially expedient reproduction of a style that belongs on the other side of the world.



BOOKS

Deep into the heart of Greenland

Asked about his chances of winning the Nobel Prize, Graham Greene replied that he was looking forward to a much bigger prize: death. He thought himself "not a bad writer," but he would have liked "to be mentioned with the truly great, who all seem to belong to the 19th century."

In the years since he died in 1971, it has become clear that Greene does fit in the company of the truly great. What Dickens was for the 19th century, the only serious literary writer to enjoy a mass audience, like Dickens, his genius was to take a popular fictional form - the thriller, and, in books from *Brighton Rock* and *The Power and the Glory* to *The Third Man* and *Monsignor Quixote*, to turn that form into a serious work without losing its widespread appeal. His finger was always on the popular pulse and, as we now look to Dickens to understand the Victorians, so Greene's themes speak for our century: angst and neuroses, a fascination with evil, intellectual and spiritual doubt, cruelty and persecution.

Nothing fixes Greene as a figure for our time better than his new role as star of that late 20th century blockbuster genre, the literary biography. In the last six weeks, three rival biographies of Greene have appeared, with a fourth due this month. The best of them, volume two of Norman Sherry's authorised *Life* (Cape £20), covering the years 1939-55, shows how biography has become today's equivalent of the Victorian triple-decker novel: long, leisurely, heavy-weight, intimate in its discussions of its hero's most raw emotions. *David Copperfield*, *Jane Eyre*, *Jude the Obscure* are all fictional biographies or autobiographies. In a post-modern age we have become too embarrassed and cynical to invent such lives, but reading about them is deeply satisfying and publishing them lucrative. Literary biography, therefore,

which dovetails fact with fiction by showing how one fed the other, has taken the place of the Victorian fictional bestseller. And just as *David Copperfield* or *Jude the Obscure* distilled Victorian dilemmas about faith and morality, so the contemporary biography focuses on subjects, like Greene, who give voice to our own passions and problems.

The new works on Greene are vastly different. Sherry's is sympathetic and full of insight. Michael Sheldon's *Graham Greene: The Man Within* (Helmans £20) is critical and carping, while Anthony Mockler's *Graham Greene: Three Lives* (Novelist! Explorer! Spy!) is ignorant and barely literate. The three books share, however, some uniquely

husband, depressive and dully middle-class because he cannot chum up with her posh friends. Sherry, by contrast, describes in bitter-sweet prose a liaison reminiscent of *Brideshead Revisited*. Greene is the shy bourgeois artist who finds his identity through Catherine, struggles between desire and Catholic sacrifice and revels in the world of private jets and pheasant for breakfast.

As a classic of English class fantasy, this is compelling - when the BBC made a film of Greene last year, producer Anthony Wall said the programme was "a story about British toffs, the like of whom we'll never see again." What raises it to the level of contemporary myth is the existential torment underlying the affair.

The ultimate chronicler of 20th century man's conscious is the subject of four new literary biographies.
Jackie Wullschlager reports

anglo-saxon obsessions. Class, sex, sin and the relationship between them floods over almost every page. Since Greene, born in 1904, spans our century, this offers too a panorama of a changing England. Greene's experiences illuminate key phases in English history - the Blitz, the Cold War spy ring centred on Philby, the postwar waning of aristocratic families and their homes, with which Greene was intoxicated.

The heart of these matters, for Sherry and Sheldon, is Greene's affair with Catherine Walston, the beautiful, Catholic, promiscuous wife of an English lord. She was the model for Sarah in *The End of the Affair*, and a crucial influence on work such as *The Third Man* and *The Quiet American* in Greene's rich middle period. Sheldon recounts the affair as if in a school report, with Greene failing every test - immoral in seducing Catherine, pathetic in failing to tempt her away from her

Life "on the dangerous edge of things", the reluctance to accept love, faith, political ideologies; the desperate escapism. Sherry's Greene has the tortured inner life of his heroes, from the haunted, hunted whisky priest in *The Power and the Glory* in the 1930s to the suicide Scobie in *The Heart of the Matter* to baffled Monsignor Quixote in the 1980s.

"I had to find religion, to measure my evil against," Greene said. It is the Manichean vision, grafted onto the thriller, that gives intellectual excitement and psychological resonance to his novels. Of the great writers, he is the one for whom content and ideas are all, while form and style hardly count.

Among famous openings, compare, for example, that of *Brighton Rock* - "Hale knew, before he had been in Brighton three hours, that they meant to murder him" - with those of the two other modern classics

of adolescence, *Lolita* ("Lolita, light of my life, fire of my loins. My sin, my soul. Lolita: the tip of the tongue, taking a trip of three steps down the palate to tap, at three, on the teeth.") And *Catcher in the Rye*: ("If you really want to hear about it, the first thing you'll probably want to know is where I was born, and what my lousy childhood was like... and all that David Copperfield kind of crap.")

Unlike Nabokov and Salinger, Greene is not a consciously literary writer and his cold, flat drawing of Pinkie and Ida therefore translates easily. "A polyglot could read Mr Greene," wrote Evelyn Waugh, "lay him aside, retain a sharp memory of all he said and yet... entirely forget what tongue he was using."

Greene believed the "splinter of ice" in his heart gave him the necessary novelist's detachment. But reading Sherry's biography, it seems as if the reverse may have been true - that Greene wrote to strip away his own coldness, to make-believe feelings he could never wholly embrace. His glacial quality, both in life - Sheldon excels in his unsympathetic responses during the Blitz, and in his frosty relationships - and in fiction, puts some readers off. Yet it is a feature, along with the almost deliberate absence of style, which makes his novels quintessentially of our post-modern, anything-goes, no-commitment times.

I suspect that Sheldon has raised himself to a pitch of antagonism because in Greene we all see images of ourselves and our times which we do not care for, and that Sherry, who has devoted 20 years to retracing Greene's steps, has identified with Greene in an equally intense, but by contrast a positive, way. As a minute by minute explanation of William Golding's tribute, that Greene "will be read and remembered as the ultimate chronicler of 20th century man's consciousness and anxiety," Sherry's book is unputdownable.



Graham Greene: as Dickens was for the 19th century, Greene is the only serious literary writer to enjoy a mass audience in the 20th

Faith in freedom

David Goodhart on a hymn of praise to civil society

The existence of a flourishing civil society is what distinguishes the west from post-Marxist or Islamic societies. It is also responsible for most of what we hold dear, from economic growth to political liberty. Yet we have little idea how it came about and even find it difficult to define.

Ernest Gellner's idiosyncratic hymn of praise to civil society reflects his recent immersion in the intellectual life of the Czech Republic, where the recreation of civil society was one of the slogans of the velvet revolution. Looking from Prague the civil society that we take for granted becomes a miracle, and one that is not easy to manufacture in a broken-down monolith like Russia.

Civil society is not just the social residue left when the state is subtracted. It is altogether more attractive and subtle, requiring both a central coercive governing authority and economic pluralism. Thus armed it can sprout a cluster of institutions strong enough to prevent tyranny but which are entered and left freely. "You can join (say) the Labour Party without slaughtering a sheep... and you can leave it without incurring the death penalty for apostasy".

It is civil society which has led the march to a prosperous, secular, world, but its main rival - theocracy or ideology where a society is defined by its faith - has held on in large parts of the globe. Gellner describes the complex social chemistry which has produced civil society in one place but not in another. Much of the argument is wise and original, although the place of the individual and the "private" in the Judaeo-Christian tradition seems underplayed.

But this is not an essay for tidy minds. Gellner is one of the last of the great central European polymath intellectuals. He writes with staggering erudition and does not bother with hand-rails as the essay twists and turns through world history and global politics.

Why is Islam growing ever stronger while Marxism has collapsed? Gellner finds the answer in the shift from the low (folkish) to the high form of Islam among the masses in Moslem countries. "The essence of nationalism in the west is that a high - literacy-linked - culture becomes the pervasive, membership-defining culture of the total society: the same has happened in Islam, but it expresses itself in fundamentalism rather than nationalism, though the two are sometimes conflated".

CONDITIONS FOR LIBERTY
by Ernest Gellner
Hemphill/Hamilton £18.99
225 pages

Islam and civil society are incompatible: Malaysia, Turkey and pre-civil war Bosnia have all combined them.

Nor is it clear that the desire of many post-Marxist societies to establish, or re-establish, civil society is sufficient. "The bourgeoisie which is being begged to crawl out from under the stones of the Communist monolith does not look promising. Where are the Forsterisms and the Buddenbrooks?" He concludes, reluctantly, that China might have made the right choice in putting economic reform before political reform.

Conversely he is optimistic about the prospects for world government and expresses none of the fashionable anxieties about the withering of civil society and the collapse of community in the west.

The parting note is equivocal. Reviewing East Asia's combination of economic success and almost feudal hierarchy he concludes: "Whether we like it or not, the deadly angel who spells death to economic inefficiency is not always at the service of liberty. He had once rendered liberty some service, but does not seem permanently at her command. This may sadden those of us who are liberals and were pleased at being given such a potent ally - but facts had better be faced".

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BOOKS

An appalled fascination with the Welsh

J.D.F. Jones finds Kingsley Amis on top form in his new novel

I have it on good authority that when, some time ago, Sir Kingsley Amis was approached for his support for the "Swansea - City of Literature" campaign, the distinguished man of letters replied, "— off!" This may seem an understandable reaction from someone who once spent 12 years as a junior lecturer in that town, although in his *Memoirs* he wrote sentimentally of the place.

It is a reminder that Amis has a thing about South Wales and the Welsh — nothing so strong as love, hate, more an appalled fascination, an exasperated affection. Certainly the principal (a word he must surely detest) has served him well in his fiction, never better than in the Booker-winning *The Old Devils* which, with its TV version, brought him less than a welcome west of the Valleys.

South Wales provides only one of the minor locations in his new novel, *You Can't Do Both*, but his main characters are all Welsh at one remove and are always conscious of it — the "hero" Robin, the girl friend Nancy, and their four parents.

The blurb cannot resist telling us that *You Can't Do Both* will be seen by some (not this reader) as "a precursor to *Lucky Jim*", presumably on the grounds that Robin Davies, whom we follow from teens to parenthood, is of the same generation and the same profession as Jim Dixon. Come to think of it, just like

Sir Kingsley! — which must be why the blurb also clumpily declares that this novel is "strongly autobiographical".

Can that be true, and does it matter? Robin Davies is brought up in South London, enjoys his grammar school, visits family in Wales, goes up to Oxford, serves unheroically in the war, becomes a red-brick don, makes his Nancy pregnant, snatches her back from an abortionist, marries her, and continues with his selfish ways until ...

Let's allow that Amis may be drawing more heavily than is usual on his recollections of adolescence

and young manhood: there are plenty of references which sound echoes from the *Memoirs* (which was not an autobiography but a sequence of sketches), and the early

YOU CAN'T DO BOTH
by Kingsley Amis
Hutchinson £15.99, 306 pages

chapters are no doubt based on his childhood in Norbury, never mind the later scenes of Oxford colleges, Cardiff abortionists and registry office weddings.

What matters is that Amis is on

masterly form, with proof on every page that he can write the most brilliantly accurate dialogue in the trade. And of course, he can be very funny indeed, though it is often the humour of embarrassment. There are two magnificently awful fathers.

Robin Davies is another version of the favourite character — the plausible, intelligent, sex-obsessed, self-aware young man — whom Amis would (and does) call a shit (yes, in the tradition of Jim Dixon, and he makes funny faces too). He knows that "he was almost an ideal non-husband for Nancy, being self-

ish, self-indulgent, lazy, arrogant and above all inextinguishably promiscuous by nature", about marriage he feels "apathetic relieved with horror", yet he is caught in an insoluble dilemma and marries the sweet and not-quite-convincing Nancy. I quote:

"A few minutes later, Nancy said, 'I've remembered something else my Dad said about you. No, it was my Mum. No, it was my Dad. I know it doesn't matter which really. Or at all. Anyway, he said you were the kind of man who thinks only of his own pleasure'."

"This Robin heard with definite

indignation. He said, 'I'd like to know how he makes that out. I must say, if that's all I was interested in, what the hell does he think I'm doing getting married to you? Jesus Christ.' Here is the genuine Amis: colloquial, fast, witty, acid, and conveying character.

But there is a more serious burden to this morality tale, growing out of the comic routines which Amis uses to reveal the curiously loving relationship between father and son.

Robin's father turns out to be the shadow-side of the Welsh preachers he has left behind, just as it is Nancy's father who spots that Robin is "the kind of Welshman who gets Welsh people a bad name. Very charming on the surface and treacherous underneath."

Extraordinary life of the last great courtesan

No stones are left unturned here: and what stones! says Jurek Martin

It is necessary to start with a confession, at which book reviewers are often negligent.

About two years ago I once had a date with Pamela Harriman. It was not that sort of assignment. Our first meeting was merely the result of a typical Washington dinner circumstance — i.e. my wife was still in London, my hosts needed an extra man to complement her presence and that was that. The discussion was mostly politics and Mrs Harriman made a forceful, articulate case for the merits of one Bill Clinton (she liked Al Gore, too). I had heard she would be charming company and she certainly was, to the extent that I recall floating home in the daze of her smile.



Pamela Harriman in 1993

A year or so later it came as no surprise when Clinton, now president, nominated her to be ambassador to France. After all, she had been, as much as anyone, responsible for the financial revitalisation of a demoralised Democratic Party in the 1980s and had then been the Clintons' entrée to the rarified reaches of Washington power, social and political.

In any case, embassies, big and small, are often offered to political supporters regardless of nominal qualifications. Over in London, the just departed Ray Seitz was the first career diplomat ever to represent the US at the Court of St James. She was confirmed by the Senate without demur, and by all accounts, is now doing a first class professional job in Paris.

But her road from a stately home in Minterne Magna in Dorset, the daughter of an unremarkable, reserved conservative peer, to sole possession in her own right of the grand residence on the Faubourg St Honoré is surely one of the most remarkable ever travelled by a single human of

either sex this century. Christopher Ogden's book, even if written with less verve and style than its subject has always possessed, has the wonderful virtue of leaving virtually no stones unturned; and what stones.

This was to have been a collaborative venture between Mrs Harriman and Mr Ogden. According to the author, she

LIFE OF THE PARTY: THE BIOGRAPHY OF PAMELA DIGBY CHURCHILL HAYWARD HARRIMAN
by Christopher Ogden
Little, Brown £24.95, 504 pages

withdrew after a publishing house had made an advance offer of such magnitude that he told her that to justify it there could be no dissembling. She balked, but he had 40 hours of frank interviews and lots of other material besides under his belt, over which she had no claim. Her lawyers tried to stop him but he persisted.

The end product may not be kind to Pamela Digby Churchill Hayward Harriman, once described by her second hus-

band as the "last great courtesan of the century." But it is very hard not to admire what she has accomplished and even, for those disinclined to make moral judgments, how she did it.

Consider, first, the men in her life. She wed three of them — Randolph Churchill, only son of Winston; Leland Hayward, the Broadway impresario; and finally Averell Harriman, 30 years after a first torrid wartime affair with the US statesman while still nominally married to the lecherous, drunken Randolph.

Then consider some of the men she bedded in a blitzed London where living for the moment, not the morrow, was often the rule of the game: Ed Murrow, the legendary US wartime broadcaster from London, who, in the end, would never leave his wife, probably Bill Paley of CBS; two flying commanders, "Peter" Portal of the RAF and Fred Anderson of the US Air Force; and "Jock" Whitney, also later to be US ambassador.

For a dozen years after the war, in postwar Paris and on Mediterranean villas and yachts there was the Aly Kahn, Gianni Agnelli and Elle de Rothschild and, possibly, Stavros Niarchos. In the US, after Hayward's death, it looks as though there was, briefly, Frank Sinatra. Though opportunities presented themselves there was never John Kennedy.

She lived through and in extraordinary times. Her relationships with Harriman and Murrow made her, when barely out of her teens, a catalyst in the ever closer Anglo-American relationship before Pearl Harbour. At least this is the role that Beaverbrook and Harry Hopkins, FDR's right hand, encouraged her to play and one to which Churchill

himself had no objection, since it suited his purposes, he was fond of her and knew only too well Randolph's awful shortcomings. She was in regular attendance at the prime minister's table. When she left for Paris last year, she read from a letter sent to her by Charles de Gaulle after one such occasion.

At the other end of the scale of importance, she learned the hard way that years of skilful, attentive service to the likes of Agnelli's jet set could bring a luxurious lifestyle and baubles beyond number (and she acquired superb but expensive taste) but never emotional or financial security. She was, simply, too independent and, lack of formal education notwithstanding, too intelligent ever to be the sort of woman they would marry or desert a wife for. When Rothschild ditched her, she saw the limits of European glamour — she already had fallen out of love with her native England — and fled to the US.

There is a lot about the nasty Pamela in this book. Mr Ogden tells in excruciating detail of her neglect of young Winston (The Child), her animosity to the Hayward children (already recounted in Brooke Hayward's 1977 memoir, *Haywire*), her determination to eliminate all evidence of Marie Harriman's long marriage to Averell, her manipulation of the old statesman in his dotage. No wonder she withdrew her cooperation.

But her widow's years have been good to her bank account, to her looks and to her reputation, nothing more than the approval and affection of tough political cookies like Bob Strauss and, before his fall, Clark Clifford. She is now free to wheel, deal, think and exercise authority. Few of the great courtesans of history ever ended in such glory.

The TATLER

Vol. CXLVII No. 1825 London, Sat. 22. 1994



Harriman when young: wife of Randolph Churchill, Leland Hayward and Averell Harriman; mistress of many; and now US ambassador to France

The cultural spoils of war

Art and war usually lie at the opposite ends of human experience, although they meet sometimes in literature. But the fine arts presuppose peace: the opportunity for the creation of painting and sculpture, and the repose needed for their enjoyment, are fruits of tranquillity.

What, then, when art and war enter a different relationship, when destructive, all-embracing modern war threatens to incinerate art galleries, demolish cathedrals and museums, reduce statues to rubble, annihilate in seconds the rich distillations of culture which have formed over centuries? It is a 20th-century phenomenon that when great powers set upon each other, everything is at risk, our lives and material treasures most of all.

One of the least known facets of the second world war is the fate suffered by European art. In a book of brilliance Lynne Nicholas relates the period's history from the novel perspective of what happened to Europe's material culture under the Nazis. She tells the tale with absorbing narrative skill, making an extraordinary achievement of scholarship read like a thriller.

Hitler and Goering were fanatical art collectors. Whereas the latter was fairly catholic in his tastes, the former did not have tastes — he just knew what he liked and disliked. He liked 19th-century German paintings, and he disliked "degenerate art", which meant Impressionism, Expressionism, Cubism, and anything that looked distorted or "unfinished".

Another difference between Hitler and Goering was that whereas the latter collected for himself, crowding his vast and vulgar palaces, Carinhall, with every sort of art, Hitler had imperial ambitions. He wished to turn his Austrian hometown Linz into one of four great cultural centres of the Reich, and the best art plundered from Jews and conquered neighbouring countries was destined to hang there in a magnificent public art gallery he planned for the city. By the end of the war the Linz gallery had accumulated 8,000 pictures, nearly twice the holding built up over a much longer period at Amsterdam's Rijksmuseum.

But the Linz plan was merely one corner of a vast displacement of art around Europe during Hitler's 12 years, caused by many factors. The Nazis sold "degenerate" art abroad to earn foreign currency. They looted art from Jews and from occupied territories. The experience of the Prado collection during Spain's Civil War persuaded curators everywhere in Europe, including Britain, to make plans for safeguarding works of art against air attack; and as soon as hostilities impended, tens of thousands of paintings, statues, objets d'art, rare books and manuscripts were transported into the cellars of castles beyond the Loire, quarries in Wales, and storehouses of monasteries in remote corners of the Italian countryside.

With their usual thoroughness the German occupying administrations in Poland, Czechoslovakia, Holland and France — after some resistance, in this last case, from the military government in occupied Paris — appropriated vast stores of art. Guises of legitimacy were devised: any German art later than 1500 AD was "returned" to the Father-

land on the grounds that it had been stolen in earlier wars. Jewish-owned art was simply confiscated. Public art collections were "safeguarded", an official euphemism for theft.

When the Allies invaded first Italy and then Normandy, they took with them a desperately understaffed group of men detailed to protect the cultural treasures that would be encountered in battle areas. This heroic group managed much with their slender resources. Their greatest triumph, arguably, was in preventing the US from appropriating works of art from Germany by way of war reparations. A batch of 200 pictures was shipped from the American zone in Germany to Washington where it might have formed part of a handsome covering for the National Gallery's then under-occupied wall spaces. But there was a vociferous protest from a group of courageous American "Monuments" officers based in Germany, and in the resulting controversy the US returned the works after they had been displayed to huge crowds at galleries in various cities.

THE RAPE OF EUROPE
by Lynne H. Nicholas
Macmillan £20, 498 pages

Faced by such a mass of primary material — not to mention all the secondary and related sources that have mushroomed — an overview of the writer, the self-destructive drives that accompanied her endless literary creativity, her ironical exposure of the injustices perpetrated upon women, is surely much to be welcomed. King has avoided over-kill and organised his book judiciously. He uncovers the autobiographical elements in the works while integrating his subject's development as an artist with the many intense relations she had with other people.

For this, and for their work in rescuing art at the close of the war, the Allies' Monuments men turn out to be the heroes of Nicholas's tale. It is a tale without an ending, because many works are still missing, and some great achievements in material culture were destroyed, and can never be replaced. And that, in the end, is the real danger in what happens when art and war mix.

A.C. Grayling

I may not seem like it to those readers suffering from Bloomsbury bulimia, but as James King, professor of English at McMaster University, Ontario, is at pains to point out, this is the first full-scale biography of Virginia Woolf since the one by Quentin Bell in 1972.

The years that followed Bell's sparsely written life of his aunt saw the publication of the five volumes of her diaries and the six volumes of her letters. Then Andrew McNeillie began to edit a complete edition of the essays of Virginia Woolf (including all her scattered book-reviews, many of which were originally anonymous). With the appearance recently of Volume 4 (*The Hogarth Press*, £35.00) this edition has reached the year 1923. Two more volumes will take it up to Woolf's death in 1941.

Thus the millions of words she wrote both privately and professionally during her tragically curtailed lifetime are now all in the public domain. Even the laconic diary she kept at Ashham in Sussex in 1917-18 before the move to Rodmell, hitherto only partially printed in Volume 1 of the diaries, is now available in full in the current number of *The Charleston Magazine* (Issue 9, available from Charleston Farmhouse, Firle, Lewes, BN8 6LL at £2.95).

Faced by such a mass of primary material — not to mention all the secondary and related sources that have mushroomed — an overview of the writer, the self-destructive drives that accompanied her endless literary creativity, her ironical exposure of the injustices perpetrated upon women, is surely much to be welcomed. King has avoided over-kill and organised his book judiciously. He uncovers the autobiographical elements in the works while integrating his subject's development as an artist with the many intense relations she had with other people.

More words on Woolf

But Anthony Curtis finds that this overview avoids overkill

These relations form a set of concentric circles — first the family ones including female cousins like Madge Vaughan and older women like Violet Dickinson, to whom as a girl Virginia was very close. Then the men, her brother Thoby's Cambridge contemporaries, including Lytton Strachey and Leonard Woolf. Finally, a wider circle of writers and artists — like Katherine Mansfield, Vita Sackville-West, T.S. Eliot, Hugh Walpole who were not part of Bloomsbury

VIRGINIA WOOLF
by James King
Hamish Hamilton £21, 699 pages

but whom she came to know intimately as her fame spread. King is a sensitive scholar who leads us patiently through a richly varied life with fresh insights to offer about episodes familiar from earlier accounts. The least judgmental of biographers, he cannot avoid presenting Virginia's half-brothers, George and Gerald Duckworth, as the villains of this Cinderella-like story. We have her word — in papers she wrote and read to the Memoir Club, a small private society within Bloomsbury — that she was abused sexually by both of them; by Gerald when she was six who fondled her and by George, who tried to rape her in her bedroom after a dance. The precise extent of the abuse remains obscure. One

should remember that Woolf was capable of fantasising — as in one spectacular instance after Thoby's death: she pretended to Violet that he was still alive sending her details of the improvement in his condition. But even without the activities of the half-brothers Duckworth (Gerald was to become the publisher of her first novel) she suffered a series of bereavements when she was growing up that were in themselves more than enough to de-stabilise her finely poised mind.

Her mother Julia's death in 1885 at the age of 49 was followed two years later by that of her half-sister Stella, who had assumed the maternal role in the family. Virginia was 15. Her tyrannical but lovable father Leslie Stephen died in 1904 when she was 22; her brother Thoby died aged 26 in 1906; and her nephew Julian Bell was killed in the Spanish Civil War.

Her recovery from her breakdowns, to the point where she could write her novels and reviews and even re-create the process of losing control of reality in the character of Septimus Warren Smith, was a minor miracle. Though innately anti-Semitic she found her personal salvation through marrying Leonard Woolf, a Jew, who gave up a very un-Jewish kind of career in the Ceylon Civil Service where he was rising meteorically up the administrative ladder. He

became instead a writer and a devoted husband. Her lesbian tendency was already apparent and marriage did not eliminate it. Marital sex was another of Leonard's sacrifices.

The marriage survived an endless series of upheavals, including Virginia's intense sense of rivalry with other women authors, notably Katherine Mansfield, and with her sister Vanessa with whose husband, Clive Bell, she flirted outrageously, precipitating Vanessa's lifelong passion for the homosexual painter Duncan Grant.

When Virginia was 43 she entered upon her passionate friendship with Vita. This did not become a long blooded affair, like those Vita had with Hilda Matheson and Gwen St Aubyn. According to King they only slept together twice but afterwards remained firm friends. Orlando was as much a requiem as a celebration.

The composer Ethel Smyth, another attachment, sends a breath of irreverent fresh air through this hothouse informing Virginia that she hated everything Bloomsbury stood for. VW's ups-and-downs in her relations with all her friends were mirrored in her attitude to her work. She saw-sawed bewilderingly between exaltation and utter despair and was over-sensitive to reviews and verbal criticism.

After King's thorough biography, which inevitably concludes with her suicide in 1941 as the threat of Nazi invasion loomed, we will not need another life of Virginia Woolf for some time to come.

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DUMP SOCRATES - TRY DE BONO

The Baron and Baroness Thyssen-Bornemisza, who frequently feature in the pages of *Holai*, the Spanish celebrity magazine

Saving Grace: patience, passion and the baron

Annalena McAfee meets the collector and benefactor Baron Thyssen-Bornemisza

Baron Hans Heinrich Thyssen-Bornemisza is relishing the role of saviour of British heritage. "My wife and I love Britain," he says, nodding indulgently at his fifth wife, Carmen "Tia", a former Miss Spain. "We were married there - in Moreton-in-the-Marsh. They liked it so much, in fact, that they took a little of it with them when they left - Constable's 'The Lock' (1800) and Holbein's Portrait of Henry VIII (a snip at £10,000).

The baron's donation of the final £200,000 to keep Canova's Three Graces in Britain is being greeted with whoops of joy in some museum and gallery circles. But there is, as those used to dealing with the wily billionaire will have anticipated, a catch to the baron's offer.

"I would like it to come to Madrid, maybe for six months, maybe a year, to be a centrepiece of an exhibition we are holding at the Villahermosa. Only 200 yards from the Prado, the Villahermosa palace houses the 217th Thyssen collection, said to rival that of Queen Elizabeth II in range, if not quite in value. Tim Clifford, director of National Galleries of Scotland, seems undaunted by the prospect of parting so soon with the prize he has only just secured. "Obviously, we would smile on this loan," says Mr Clifford. "We're all absolutely thrilled."

Others in the UK heritage lobby, still smarting from the baron's rejection of a £100m government inducement in 1988

to bring his collection to Britain, will be more sceptical. Baron Thyssen's passion about art - "It is universal, it is impossible to have a disagreeable conversation about it. It should be shared by everyone" - is matched by the hard-headed pragmatism that befits the retired head of an industry spanning plastics, car parts, container industries and shipping.

He clearly enjoyed giving the run-

In the event, Spain won the prize, largely thanks to the royalties and powers of persuasion of the baroness, the former wife of Hollywood tarzan actor Lex Barker. The collection, ranging from Old Masters of the early fourteenth and fifteenth century to Picasso, Cézanne, Mondrian, Bacon, Hopper and the German Expressionists, was to be loaned to the Spanish government for 10 years, split between Villahermosa

collection, which forms the Old Master nucleus of the 800 paintings on show in Madrid and Barcelona. This original collection was, against his father's wishes, dispersed after his death and the present baron spent years trying to buy it back - pursuing a Fra Angelico Madonna, taken by his sister Margit in 1948, for 40 years.

Collecting, he says, is like falling in love. "Only unlike women, the pictures can't talk back." He confesses to using an unorthodox method before pursuing art deals. He plays the solo card game patience "and if I don't have to cheat too much to win, I go ahead."

The future of the collection has been recently upmost in Baron Thyssen-Bornemisza's mind. Only two months ago, he was lying near to death in a Paris hospital after suffering a stroke while undergoing surgery. The baroness, a vivacious woman who frequently graces the pages of the Spanish celebrity magazine *Holai*, attributes his recovery to the intervention of the Virgin of the Miraculous Medal.

Before long the baron was stirring in his hospital bed, leaving through a saleroom catalogue and authorising his wife to put in (successful) bids for a Monet and a Picasso. His intervention to save the Three Graces is a further sign of his full recovery. "And," he confides, "I didn't have to cheat at patience at all when I played for the Graces. The cards kept coming up. I kept winning."

Mrs Thatcher tried her best... I later heard that she said I was the only one who did not give in to her - though I don't think I was the only one

around in to the heads of state and royalty as they queued to woo him and his collection. "Mmmm," he says reflectively. "That was a very nice period." Prince Charles came to put the case for Britain and even prime minister Margaret Thatcher got swept along in the excitement, inviting the baron to Number 10 to press Britain's suit. "Yes, she tried her best," he says. "We sat on the same sofa and she talked for ten minutes. Then she suddenly said 'I shouldn't talk so much. You should talk.' I later heard that she thought I was formidable - that I was the only one who didn't give in to her, though I don't think I was the only one."

and Monastir de Pedralbes, a 14th century convent in Barcelona. Last year, however, the baron signed it over permanently, maintaining a key interest and a core collection which he distributes between his five homes.

Some of the baron's five children had initially resisted the hand-over of the collection. "There were a lot of conditions to get all my sons and daughters to consent. We had a pre-inheritance discussion and they exchanged pictures for money and objects d'art. If I die, there will be no discussion about it. Everything has been divided up."

The family wrangle has uncomfortable echoes of the fate of his father's

mainly been more expansive and searching readings of Bruckner's Third Symphony. Salonen's relaxed account, somewhat lacking in the customary Teutonic gravitas and spiritual fervour was, nonetheless, projected with blinding clarity, as was an immaculately turned Sibelius Second Symphony. In both cases there was scope for more subtlety and more expressiveness, though perhaps that may be too much to expect from an orchestra whose new home, scheduled for completion in 1997, is to be called The Walt Disney Concert Hall.

Antony Bye

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LA at the Proms

any of their playing are second to none, and were palpably evident during the orchestra's two visits to the Proms last Tuesday and Thursday.

Much of the credit must go to Finland's musical sounder, Esa-Pekka Salonen, who was appointed the orchestra's musical director in 1992. An outstanding musician, a gifted composer as well as a dynamic conductor, one can sense the guiding hands of someone who knows music from the inside.

The choice of a work tailor made for them to begin Tuesday's concert, Lutoslawski's Fourth Symphony, was particularly appropriate - and also poignant. Lutoslawski, who

died last February, himself conducted the British premiere of this symphony at last year's Proms (it had been premiered in Los Angeles the February before). The beauty of its many lyrical passages is self-evident and its powerful climaxes are viscerally exciting, but certain stiffness characterises its more aggressive material, and the sudden upbeat ending seems a gratuitous afterthought. Nonetheless, Lutoslawski's fusion of an uncompromisingly contemporary musical language with genuine accessibility remains one of the most consistent triumphs of post-war music.

Salonen's involvement with

the nuts and bolts of composition is clearly a potent factor, too, in his attitude to the standard repertoire. His firm command of overall structure imparts his interpretations with beguiling logic as well as authority, traits amply demonstrated in a fluent, poised reading of Mozart's D-Minor Piano Concerto, K.466, with Emanuel Ax an eloquent and stylish soloist, and a taut, often ecstatic account of Hindemith's unjustly neglected but sometimes ponderous Symphony *Motets der Mahler*.

Inevitably, the greatest tests for an orchestra and conductor lie in the major symphonic repertoire. There have cer-

Rossini's 'Magpie' revived

British Youth Opera, whose eighth season opened at Sadler's Wells this week, is a Good Cause. In a world where young singers need all the practical experience they can get, BYO plays a vital role.

With both valuable talent to nurture and a precarious budget to balance the company's stakes are high, and it can ill afford the errors of judgment that marred one of its new productions: the contrasting fortunes of *The Thieving Magpie*, a heartwarming success, and the lamentable *Yevgeny Onegin* will, one hopes, have been instructive. The former was everything it should have been, and provided Thursday's audience the chance to hear a Rossini masterpiece not staged in London for over a decade.

The *Magpie* is a difficult work and perhaps BYO's most ambitious project yet. Its semi-serious genre, balancing humour and pathos, puts pitfalls in the way of producers, but here Jamie Hayes traces the plot - which hinges on a sinister misadventure of justice - from light to darkness and back with a sure hand. The young cast is given strong direction; the minor characters illuminated and crowd scenes are effective, especially the march to the scaffold that fills the relaxed stage. The show is at once lively - the eponymous bird being taken by a dancer - and serious. Rauli Mursu's designs have colourful flair.

The BYO ensemble distinguished itself by getting virtually every word of Jeremy Sams's excellent translation

across. Rosamund Cole stood out for her brightly sung Ninetta, a performance that seems to promise an exciting future. Mark Milhofer disclosed a mellifluous high tenor as Glanetto, and Matthew Hargrave as a well articulated bass as the lecherous Mayor. Stephen Allen and Joanna Edworthy as Glanetto's parents Fabrizio and Lucia, Benjamin Bland (Fernando), Heather Shipp (Pippo), and Colin Judson (Isacco) all deserve mention. The company's music director, Timothy Dean, conducted with zest, judging tempos admirably.

The contrast with the previous evening's Tchaikovsky, ruined by sloppy orchestral playing from the same hand and wayward singing from the same chorus, could not have

been greater. Mark Shanahan's conducting was fast and unfeeling. The production by Wilfred Judd was under-rehearsed and under-directed. The young singers desperately needed better guidance, but three in particular survived to emerge with credit: the Swedish soprano Linda Turvas was a dark-voiced Onegin, and Rachel Lambert a strong Filpjevna with a well-focused mezzo. The show as a whole, however, is probably best wiped from the BYO annals.

John Allison

Further performances at Sadler's Wells on Saturday and September 14, 15; and at the Edinburgh Festival Theatre from September 7-10.

#Sultan

The Edinburgh Festival/Antony Thornecroft

Profitably challenged

Brian McMaster has pulled it off. He planned a challenging programme for the 1994 Edinburgh Festival - a seven and a half hour *Orestia* in Russian; three and a half hours of *Antony and Cleopatra* in German without an interval, and more - yet is contemplating a 30 per cent increase in ticket sales and record box-office revenue of £1.8m.

The good financial result, which means a minimal loss at the worst, owes little to the foreign drama. It was the well received music and dance which saw the festival home. The bias towards Beethoven has enabled the Usher Hall to be 81 per cent full; the Queen's Hall, 84 per cent full. The American ballet companies were a roaring success, at least critically, and Mark Morris is already committed to bringing his dancers back in 1995.

In contrast the *Orestia* sold 2,000 out of 3,700 seats, but McMaster was delighted. "We should programme difficult things, special festival events. If we are doing our job well, drama will always be controversial. I will be intellectually rigorous again next year. Only if we had failed would I have been forced to think about more popular works."

For a festival with 150 performances, there were remarkably few crises. The NDR Symphony Orchestra of Hamburg cancelled one performance and Franz Welser-Möst and two sopranos belatedly ducked out of Schumann's rarely played

Faust, which caused a few artistic and financial headaches as substitutes were rallied. But McMaster can creditably claim: "I've had the most wonderful three weeks."

The major disappointments were a new work by Robert Lepage *The Seven Streams of the River Ota* and the static *Torquato Tasso*, but the rest of the programme found at least some fanatical supporters. McMaster is happiest at the

Well received music and dance saw the festival home financially

way the Festival has nourished artists, most obviously Peter Stein and Mark Morris but also the pianist Richard Goode, who sold 50 per cent of the Queen's Hall two years ago; 50 per cent last year, and has queues around the block this time for his Beethoven programmes.

Next year will bring a major opera company to the Festival Theatre and probably another visit from Peter Stein. Much still needs to be planned, but with funding apparently secure, McMaster can concentrate on his next ambition - finding a proper HQ for the Festival.

On the Fringe it was not quite so simple. Here drama was strong and one production, Tom Courtney's one-man show *Moscow Stations* is being

fought over by the Riverside Studios, the West End and New York - but stand-up comedy is losing its appeal and no comic alternative has yet emerged. Some venues, especially the smartened-up Pleasance reported ticket sales up by over 20 per cent while the Assembly Rooms, was 5 per cent down. Director Bill Burdett-Coutts blamed the rail strike. Overall the Fringe office sold around £1m worth of tickets, about the same as last year. New director, Hilary Strong, had a quiet initiation, with no scandals. She plans to grade venues in terms of facilities and to try to open more ticket offices around town to make customer access to the 1,300-odd fringe productions easier next year.

There is an Edinburgh standoff between McMaster and the city's other cultural heavyweight, Timothy Clifford, director of the National Galleries of Scotland. McMaster wants total control of the Festival and refuses to accept Clifford's ambitiously planned art exhibitions in the official programme.

Clifford is carrying on regardless - next year's big one will be devoted to Scottish art. But as the Festival ends today, Clifford is the happiest man in Edinburgh. He could confirm that Baron Thyssen was giving the £200,000 needed to keep the Three Graces in the UK. They will make their Edinburgh debut in the National Gallery next August.

Stand-ups lose out

The Edinburgh Fringe has sent an unequivocal signal to the funny-bone of the nation - the day of the stand-up comedian is over, writes Antony Thornecroft. No more will audiences accept that rambling monologues about the contents of a bathroom cabinet are necessarily hilarious. Resistance is mounting to comedians who intrusively question the sexual habits of people whose only crime is that they have paid to see a show.

Of course attractive personalities, competent entertainers and imaginative jokers will survive. But the era of unsuccessful actors who embraced stand-up because it enabled them to show off in public has passed.

The death knell came from the Perrier Award for the best comedy act on the Fringe. Five stand-ups, including the surrealistically original Harry Hill, were knocked down and the money went to a pair of Australians whose comic roots stretched down to music-hall and beyond.

Lano and Woodley have a little of Morecambe and Wise in their cosy domesticity; more of Dean Martin and Jerry Lewis in John Cane's aggressive good-looking dominance and Frank Wood's screwball innocent passiveness, and whole lashings of the old movies.

But Lano and Woodley won the Perrier because they were not stand-ups. Scott Capurro was voted Most Promising Newcomer because there were just so many gay American comedians on the Fringe this year. Capurro describes himself precisely as a cross between Karen Carpenter and Barry Manilow. He begins perched on a stool, all camp confidence - "Let's get the big question out of the way - are you Barbara or Judy?" - but soon wallows in homosexual angst and gay imitation rites.

To a nation that has taken Julian Clary to its fireside bosom the only reaction to this sort of stuff is "What?" Another comedian, Will Durrant, is a graduate of the "ain't life odd" school of comedy, University of California Campus. His material is unashamedly American, which means, as a good left wing stand-up, he has problems knocking Bill Clinton. Still with a catchphrase "Only in America", he is scarcely bereft of targets.

Of Ross Parrott: "Elect a billionaire for president instead of a politician and cut out the middle man." Of politicians generally: "Voting is like swimming towards the least hungry shark." It is depressing stuff: there are no heroes here. His life view, and act, is summed up in his pay-off. "Carter, Nixon and Kennedy are in a sinking ship. Women and children first," said Carter. "Screw them," says Nixon. "I thought we already had," said Kennedy. "The last one to leave can turn out the light."

It is a relief to turn to English eccentrics. Richard Herring is fat, which is the name of the show, but Herring is also funny. His scene is food - his "chocolate raison d'être" - and his imagination runs amok as he justifies putting on

a stone or two in research to reveal, almost plausibly, that God is Mr Kipling: you never see him; and he turns rubbish into beautiful food. His cleverness just about allows him to get away with a ramshackle format, reminiscent of the Goons on a good day.

For well-turned wit, pointed social comment and verbal pyrotechnics you still cannot

The face of comedy is changing on the Fringe

beat Kit and the Widow. This is their 10th year on the Fringe and they celebrate by dragging it up in kilt and trows and giving a potted history of their Edinburgh nights. From 1984 when they shared a flat with Hugh Grant - Hodge Grunts in those days - through to 1987 when the Widow - "the Holy Hunter of light entertainment" - first spoke, to now when

their annual update on the Royal Family, "Postcards from the Edge" remains the definitive history of the Windsors.

The new songs are strong. The Jackson-Presley union is celebrated in "a marriage made in Neverland" - where little boys disappear without trace" and Kit gets to camp his socks off as Marlene Dietrich unable to get her tongue round "Raspberry Ripple Rouser". With their own tongues firmly up their innuendoes, Kit and the Widow get away with more bawdy than a busload of stand-ups.

With almost 200 comedy shows straining for a laugh on the Fringe some smiles are inevitable. Among the new faces who scored was Julian Dutton, with an act that has been banished for more than a politically correct decade - impersonations of famous actors. But his Albert Finney is auditioning for *Thunderbirds*: His John Le Mesurier for the role of the Godfather, and Robert de Niro for Noddy. Well, he got through to me.



Marc Chagall (1887-1985), *Young Bride Among Roses*, gouache and pastel over pencil on paper, 24 x 20 in. (61 x 51 cm). Estimate: \$250,000-\$350,000.

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On the day that the Irish Republican Army announced a complete cessation of its "military activities" - terrorism to you and me - another announcement gained rather less attention from the British media. It nonetheless also had consequences for British troops.

In case you missed it in all the euphoria over the IRA's tactical withdrawal, here are the facts: on Wednesday the Foreign Office revealed that it had offered the services of two ships and a military training team to assist in a possible US invasion of Haiti.

I'm sorry, I'll read that again: to assist in a possible United Nations invasion of Haiti.

The Foreign Office has offered

The pressure of gunboat diplomacy

Britain has offered the US two warships to help invade Haiti. Dominic Lawson asks what the fee is

HMS Broadsword which last saw action in the Falklands War, and the Royal Fleet Auxiliary *Oakleaf*. Broadsword is, apparently, unsuitable to naval gunfire support of an amphibious landing as it has no gun. However, a spokesman from the Ministry of Defence said (according to *The Independent*): "If the Americans requested it, she might be replaced by a ship with a gun."

I should think the Americans jolly well will "request it". Guns are useful in such circumstances. You never know when you might need them.

But what is going on here? What are we British doing offering materials and men to facilitate a dubious motivated invasion of a god-forsaken Caribbean island of no conceivable strategic interest to us?

The trite answer is that our man at the UN put up his hand when the Security Council passed Resolution 940 which authorises member nations to "use all necessary means to facilitate the departure from Haiti of the military leadership and to maintain and establish a secure and stable environment".

This is the usual post cold war charade, of course, in which the US

uses a tame UN to give international legitimacy to the pursuit of its own very particular foreign policy objectives. We saw the same thing in Somalia, and - though here the international interest was genuinely widespread - Kuwait.

But it is not enough for the Americans to have Britain's signature to the policy they wish to carry out. They also want us to make the pretence of an "international task force" even more believable by the actual involvement of non-American troops. And for some reason the State Department considers Britain the most useful

stooge in such endeavours.

This is not primarily because British troops are the best in the world, but because - as one former State Department official told me - "you guys have a pretty good record". In other words, direct military involvement by Japan or Germany, even were it feasible, would raise associations best forgotten.

In Somalia, Britain did the absolute minimum, supplying one addled old Hercules transporter. The Americans were not at all pleased about that, but when one recalls what happened to the Pakistani troop contingent - 48 of them

butchered by General Aideed's men - one can only be grateful.

In the case of Haiti, the British response is slightly more accommodating. What is the reason? The same as always: the Foreign Office wants something in return from America. Perhaps an absence of criticism by President Clinton for the Major government's less than effusive reaction to the IRA's ceasefire?

The precise details are, irrelevant. All we British can hope is that the trade-off is more in our favour than in the Americans'. This is simply the stuff of diplo-

macy, low and embarrassing as it undoubtedly is. Why, for example, did that arch third world groupie, Harold Wilson give vocal support to President Lyndon Johnson's military escapade in Vietnam. It was the *quid pro quo* for American support for the ailing pound. A *quid pro quo*, in other words.

I quote from Ben Pimlott's masterly biography of Wilson: "In December 1965... the Foreign Secretary reported that recent British requests for American financial help had been met by a dry reminder from the White House that the British had not been very helpful over Cuba, and by an inquiry about when the first British battalion would be arriving in Vietnam."

Well, at least we wriggled out of that one.
Dominic Lawson is Editor of the *Spectator*.

Interview/Peter Aspden

The wheel turns full circle for Dr Steiner

Oxford is about to welcome back a thinker it rejected 40 years ago

George Steiner sips from a glass of white wine in the corner of a Cambridge pub and confesses that the latest twist in his academic life reads like the climax of a "bad novel".

Forty-two years ago, a precocious graduate from Chicago and Harvard, he submitted his doctorate to the English faculty at Oxford, and it was turned down. That doyen of the academic literary world, Dame Helen Gardner, told him his work was a worthwhile study in comparative literature, but as that subject did not exist at Oxford, the examiners were not able to oblige.

"One day," she added, "it may well arrive here, but right now it is not in the rubric."

Next month, Steiner, first visiting professor of European Comparative Literature at Oxford, gives his inaugural lecture in the subject which prompted such a cursory dismissal all those years ago. The ironies of his appointment will doubtless be given an airing in the university's imposing Examination Schools building, but his tone will be affectionate: "Dame Helen was right; she was always right. It just took 42 years, which, by Oxford standards, is not too bad."

In the weeks leading up to the lecture, Steiner is feeling remarkably relaxed about the world. His magnanimous mood enables him to skip over incidents of the most enduring tales in that curious, twilight world of academic mythology. For the Oxford snub was not his last unhappy encounter with authority; more was to come.

He re-submitted a substantially different thesis to comply with regulations, and after spells at *The Economist* and Princeton, was invited to become a founding fellow of Churchill College, Cambridge. Once there, he began to lecture with unusual charisma to packed audiences, but he had failed to take the hint from Other Place: his first course was on how to read poetry

after Marx, Freud and Lévi-Strauss. Traditional English literature it was not.

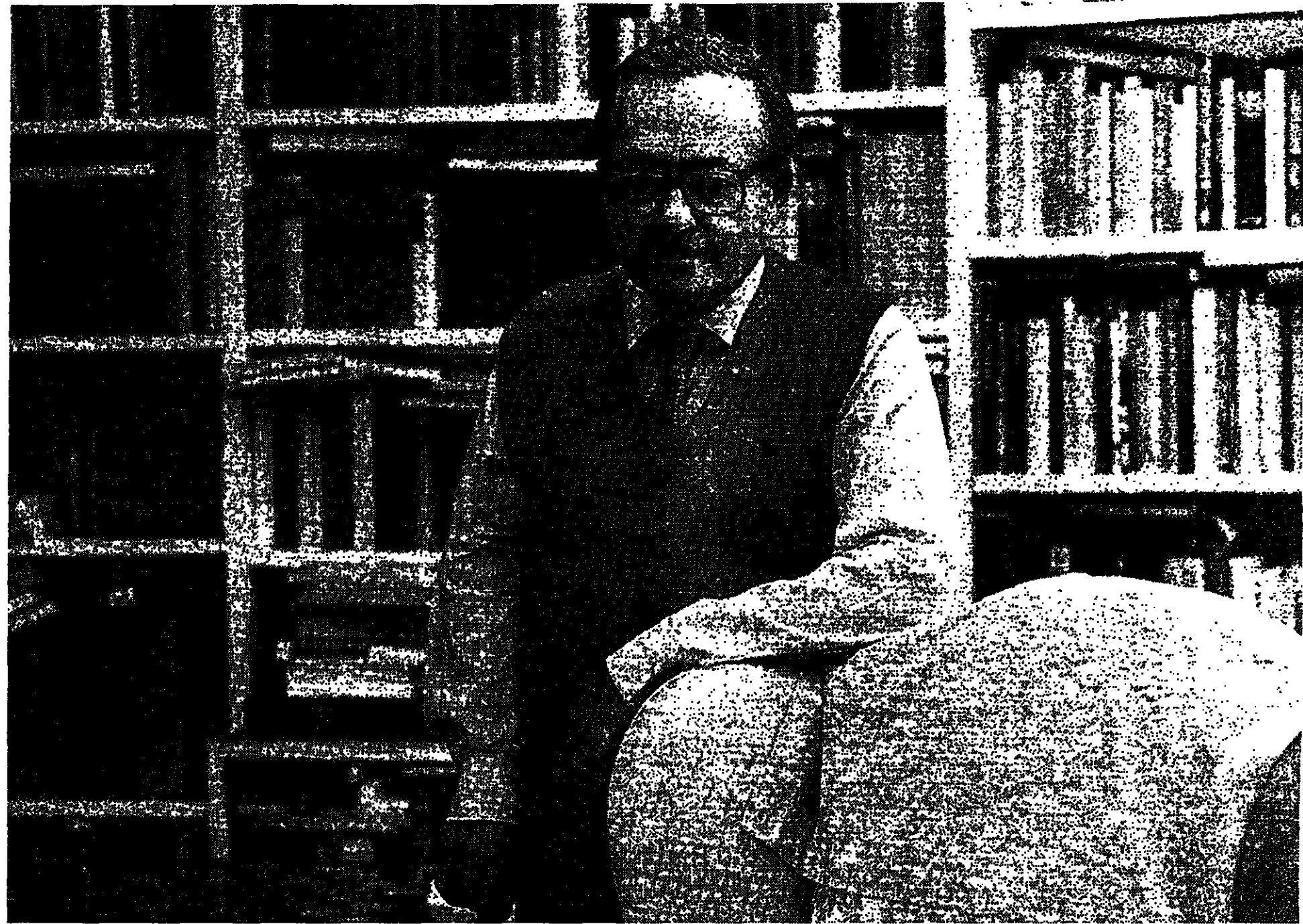
One day, the story goes, a senior member of faculty arrived to assess Steiner's credentials to be appointed to a full lectureship. Steiner was talking about Theodor Adorno's bleak conclusion that there could be no poetry after Auschwitz. The faculty member walked out in mid-lecture, ostentatiously, angrily. "When I was on the Burma death railway," he allegedly told colleagues, "Steiner was sitting safely in his New York apartment. I will not be lectured by him on Nazi atrocities." Not only was there no lectureship; Steiner was told not to bother applying again.

So began the breach between Steiner, the archetypal Jewish, *Mittel-European*, polyglot intellectual, and the English academic establishment. Although appointed to an extraordinary fellowship at Churchill so that he could carry out his research, he ceased teaching in Cambridge. In 1974 he accepted a chair in Geneva, in which he has spent half his working time ever since.

Now, at 65, he is back in the fold. The sense of the wheel having turned full circle in the year of his official retirement from Geneva gives Steiner an almost happy-go-lucky air which sits uneasily with the brooding intensity and sharp sense of melancholy of his prose.

Even when conversation turns light, however, it rarely becomes trivial; describing the simple, quotidian joys of waking up in the morning, Steiner typically manages to quote Hegel: "A Jew is a man who, given the choice between eternal salvation and tomorrow's newspaper, will choose the newspaper." He is insistent that any rancour he has carried inside him has been finally dispersed: "There were mistakes on both sides; I was not easy to be with. Bitterness would be folly."

Many take the Steiner story to be the classic case study of the collision between English intellectual values - oblique,



Monty Macdonald Pictures

clenched, bracingly empirical and fiercely pragmatic - and those of "continental" Europe - bold, speculative, swathed in abstraction and rhetoric. It is not a new story, by any means; but when Steiner moves in his unmistakable lilting tones from Mallarmé to Heidegger, Rilke to Benjamin, Hegel to Derrida, one can hear the mocking chorus at his shoulder: "pretentious"; "charlatan"; most damning, and English, of all: "too clever by half".

Steiner is not unaware of the charges, but these days shrugs them aside. In fact, his relationship with English intellectual life is complex; he has, after all, spent a large part of his life in English university towns and has some sneaking sympathies. He decries the pragmatism which, in his view, inhibits great works of creative genius ("that cry of 'come-off-it', which would have prevented Beethoven's 9th symphony or Michelangelo's *Sistine Chapel*"), but recognises that "a

Europe in which the spectre of Germany looms immense needs a British presence more urgently than ever, for its irony, its tolerance, its genuine respect for the law".

He will not turn a blind eye to Britain's indigenous flaws, however. When asked if he had ever been asked to give the Reith lectures, he replies that an informal approach had failed to bear fruit when it was learned "at the highest level" that his proposed subject was "the tiredness of England". He has no regrets: "I am quite unrepentant on that. If there is too little nerve, too little pride to accept discussion of such a subject, then we are in trouble."

Another important reason for the wariness and occasional outright hostility shown towards Steiner is the very substance of his work, as well as its refusal to pay homage to traditional academic categories. His most urgent anxiety is that the humanities, the beautiful world of high art and culture created and enjoyed by Europeans over the last 500

years, have not only failed to humanise but have contributed to the legacy of horror which reached an unspeakable climax with the Holocaust. The striking examples he first presented in his *Language and Silence* have today become clichés: the concentration camp guard who tortured in the morning and was moved by Schubert in the evening; the cry of King Lear which carries greater resonance than the cry in the street.

He asks if the price of all that culture, all that beauty, has been worth paying. Although he prefaces his tentative conclusions with the hope that he may be wrong, his tone is one of unmistakable pessimism. Asked in a BBC *Face to Face* interview how he thought he would be remembered, he replied, "with deliberate self-cruelty"; that he would be seen as a rearguard; "someone who could still remember the inventory of that great culture, roughly from the Renaissance to Auschwitz, but who never understood his own time at all because he was hanging on to

something which was in many ways a world of ash, a dead world."

Certainly he finds little solace in the democratisation and globalisation of culture, a chief characteristic of the post-war world. He finds it depressing that the lowest common denominator of cultural taste "prefers football and bingo to

Aeschylus", and sees rock music as "a seismic break in the history of consciousness, a triumph of death".

In truth, he has shown little signs of coming to terms with mass culture in his work, though this may be a relief; there are probably enough cultural commentators making a living from *EastEnders*, Ryan

Giggs and Nirvana.

But there remains the scholar's sense of curiosity. As we drive out of college, Steiner slows down to read the slogan on a T-shirt of a man painting yellow lines on the forecourt. It reads: "I have entered the vortex of love." He drives away with a bemused smile, trying, no doubt, to make sense.

Rushing towards my last word

Michael Thompson-Noel



This will be the last of these columns for a while. I am being catapulted forward in time, to join the Monday FT, so Hawks & Handsaws is going into storage, together with its best-loved character: Miss Lee, my executive assistant.

I broke the news to her on Thursday, in a restaurant near Chelsea barracks, a place so fashionable that the bill for two people is always £130, whatever they eat or drink.

During the past four years Miss Lee has established a place of great affection in readers' hearts. Last Christmas she received more cards than I did. She has been invited to numerous functions, and to address school prize-days.

Miss Lee's popularity has been based on the fact that she appeals equally to men and women. Women like her because she is a Thatcherite Yorkshirewoman of immense poise and style who speaks her

mind plainly, wears stupendously expensive clothes and exhibits minimal tolerance of male fears and foibles. Strange to relate, men seem to like her for exactly the same reasons.

But now she is headed for storage. When I told Miss Lee in the restaurant that she and Hawks & Handsaws were going into the cold store, there was an instant sprinkling of tears and a dabbling of ivory cheeks. But that was just the waters.

Miss Lee remained composed. "Well, Michael," she said. "I suppose there are elements of the readership that will miss your *penises creuses*, but remember: *pietra massa non fa muschio*. A rolling stone gathers no moss, or, indeed, grivings. There were signs, just lately, that your Saturday morning drolleries were acquiring some shape, the first suggestion of weight."

"In particular, you seemed to have dropped your campaign against John Major and the Conservative party, and to have switched your eyes

gaze towards a far more deserving target: boy-scout Blair and his new-model Labour party. When Tony Blair comes to power, if he comes to power, we shall know whom to blame: whippersnappers like you whiffing in the wind, fomenting unrest, unable

HAWKS & HANDSAWS

to see that John Major is all that stands between us and the bottomless pit."

I said: "If that is only half true, I reckon we should jump. Why is it, Miss Lee, that conservative-minded souls nurse the belief that they know what's best? The only hate-mail Hawks & Handsaws has received has been from far-right conservatives - anonymous and scurrilous, penned in

mauve ink. What produces this hatred?"

"Dislike of namby-pamby-ness."

I said: "That's not much of a reason. As for John Major, whenever I see his name I think of what the American writer Wendell Berry said. From our point of view, said Berry, the difference between the mind of a human being and that of a mountain goat is wonderful. From the point of view of the infinite ignorance that surrounds us, the difference is not impressive."

Miss Lee said: "Any more pick-of-the-pensées from four years of column-writing?"

"Well," I said gamely, relishing her tartness, which is about to go into storage. "Not long ago I had lunch with another FT columnist. This was most unusual. On austere newspapers such fraternising is rare. Columnists eye each other eagerly and pass by on the other side."

"However, I and this person were having lunch, and I said

that I often regretted that in a column of 720 words it was hard to do justice to complicated subjects like human over-population, which is killing the planet - that all you could do was make a few points without really getting round to formulating solutions.

"And this guy said - he is really extremely bright - that columnists weren't there to provide reams of analysis or draw up legislation, but to lob a few well-directed grenades into the seething mess of human affairs and hope for the best."

"I could see that he was right. But then I thought: as a species, we have analysed everything that is wrong with us. We know all about our mistakes, yet we are making more and more of them. The faster we lob grenades, the faster they come back at us. We are rushing towards our end, Miss Lee, of that I am quite convinced."

Miss Lee smiled brilliantly, and signalled to a waiter. "Michael," she said gently. "You are speaking for your-

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